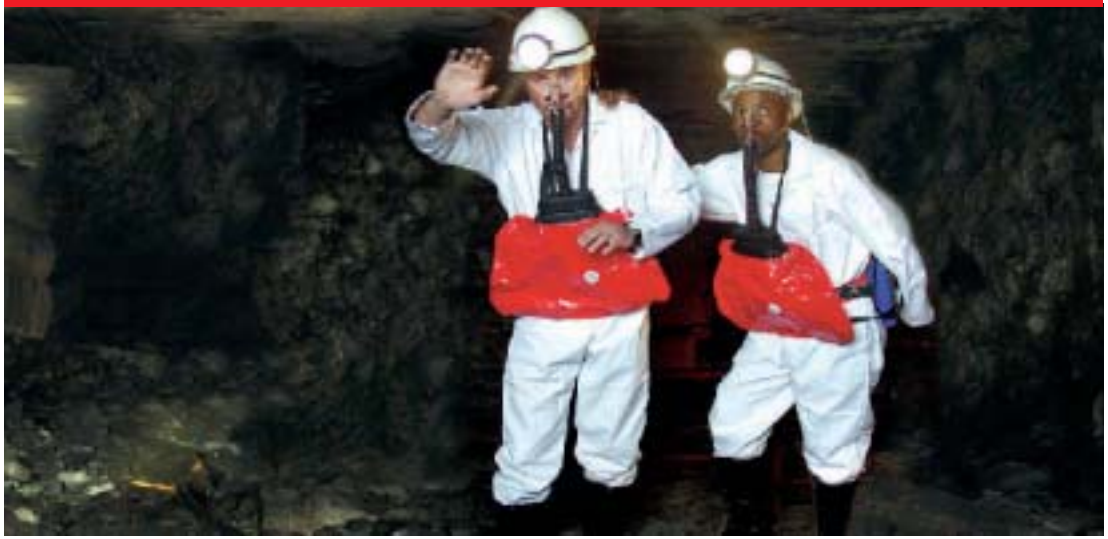
AFROX

AFRICAN OXYGEN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2002



2002

> Revenue up 24 percent at R6,5 billion <

> Operating profit up 29 percent at R896 million <

> Headline earnings up 35 percent at R407 million <

> R608 million invested in growth <

AFROX 75 1927 - 2002

2002 MARKS THE 75TH ANNIVERSARY OF AFROX'S INFLUENCE IN THE SOUTH AFRICAN ECONOMY

99 Park Road, Newtown, Afrox's first head office. The original building still stands today. A painting by Catherine Paynter, commissioned in 1976.

Contents

www.afrox.com

1927 – 2002

AFROX 75






Left to right:
John Walsh
Rick Hogben
Rick Cottrell
Nick Deeming
Mike Flemming
Tony Isaac
Lindsay MacNair
René Médori
Greg Sedgwick
Dr Gordon Sibiya
Dr Conrad Strauss
Rob Lourey

Board of directors

JOHN WALSH (47) (American)
Appointed chairman of Afrox in August 2001

John Walsh is chief executive, Industrial and Special Products for The BOC Group. Appointed an executive BOC director in July 2001, he was previously president, Process Gas Solutions, North America. He joined BOC in 1986 as vice president, Special Gases and has held various senior management positions in the group, including president, Process Plants. He has a BA in economics and an MBA in finance and marketing, both from Harvard University.

RICK HOGBEN (56)
Appointed managing director of Afrox in October 2001

Rick Hogben is the managing director of African Oxygen Limited (Afrox) and a director of Afrox Healthcare Limited. Before joining Afrox, Rick worked for SA Breweries for 24 years, where he held several executive management positions. He joined Afrox Healthcare in 1994 as business manager, healthcare services, and then, as general manager, healthcare services, where he was responsible for non-hospital healthcare businesses. He was appointed managing director of Afrox Healthcare in January 1999, and negotiated and led the takeover of Lifecare and the merger with PresMed to form Afrox Healthcare Limited.

RICK COTTRELL (67)
Appointed to the board in September 2000

Rick Cottrell is a former chairman and managing partner of Coopers and Lybrand, South Africa, a predecessor of PricewaterhouseCoopers. He is a past president of the Institute of Chartered Accountants, chairman of the Accounting Practices Committee, and one of the two South African representatives of the International Accounting Standards Committee.
After retiring from practice, he became executive officer of the Financial Services Board.
He is now a director of companies, including Afrox Healthcare Limited, Glenrand MIB Limited, Nedcor Investment Bank Limited, STRATE Limited, and Munich Reinsurance Company of Africa Limited. He is chairman of the Accounting Standards Board and sits on the audit committee of the Department of Defence.

NICK DEEMING (48) (British)
Appointed to the board in 2001

Nick Deeming is group legal director and company secretary of The BOC Group. He was appointed to the executive management board in May 2001. He has over 15 years in-house counsel experience, including Schlumberger SEMA and Axa PPP Healthcare, specialising in corporate and commercial law. He has a degree in law from Guildhall University and an MBA from Cranfield University, and he qualified as a solicitor in 1980.

MICHAEL FLEMMING (45)
Appointed an executive director in November 2001

Michael Flemming is managing director of Afrox Healthcare Limited and is also a director of Afrox. He joined Afrox in 1985 and transferred to its healthcare division in 1994. He has held several senior financial and line management positions with both Afrox and Afrox Healthcare. Mike Flemming has a BCom, Bachelor of Law and BProc degrees. He attended the Harvard Business School advanced management programme, and has a AMPD: ISMP 150.






TONY ISAAC (61) (British)
Appointed to the board in 1994

Tony Isaac is chief executive of The BOC Group plc. He was previously finance director of Arjo Wiggins Appleton plc, which he joined shortly before the demerger from BAT Industries plc in 1990. Before that he had been finance director of GEC Plessey Telecommunications Ltd since its formation in 1988. He is a non-executive director of Exel plc and of International Power plc.

LINDSAY MACNAIR (64)
Appointed to the board in 1989

Lindsay MacNair trained as a chartered accountant and has an in-depth knowledge of Afrox, having been a senior executive of the company for over three decades. During his time at Afrox, Lindsay headed finance, the welding and cylinder gas business, as well as the bulk gas business. He retired from Afrox eight years ago.

RENÉ MÉDORI (45) (French)
Appointed to the board in 2000

René Médori was appointed finance director, The BOC Group in July 2000. He joined BOC in 1987 and has held several financial appointments in The BOC Group. He was appointed finance director of BOC's gases business in the Americas in 1997. Before joining BOC, he worked for Accenture and Schlumberger Ltd. He is a finance graduate of the Université de Paris-Dauphine and holds a doctorate in economics.

GREG SEDGWICK (41) (Australian)
Appointed to the board in 2000

Greg Sedgwick has been group director, business development, of The BOC Group since June 2000. He is chairman of Afrox Healthcare Limited. He joined BOC in 1984 and has held a variety of senior management roles in the south Pacific region, most recently as managing director, Industrial and Special Products. He was previously market sector director, minerals and a director of BOC India. He has a degree in marketing and a master's degree in business planning from the University of New South Wales.

DR GORDON SIBIYA (56)
Appointed to the board in 1995

Dr Gordon Sibiya is one of South Africa's leading scientific personalities. He is currently the managing director of his own electrical consulting and project engineering company and a director of several South African and international companies in the technical field. Educated in South Africa, the UK and Germany, Dr Sibiya is the holder of a PhD in nuclear reactor physics from the University of Stuttgart in Germany. He first graduated from UNISA in 1970 with a BSc in mathematics and physics. He continued his studies at the University of Fort Hare earning his BSc (Hons) in physics before moving on to the UK. At the University of Nottingham he qualified with a BSc (Hons) in electrical engineering and gained his MSc in the same discipline. Dr Sibiya is a member of several professional bodies in science and engineering. These include the SA Institute of Physics, Engineering Council of South Africa, SA Institute of Electrical Engineers, founder and chairman of the Science & Engineering Academy of SA, and SA Institute of Measurement and Control.

DR CONRAD STRAUSS (66)
Appointed to the board in 1996

Dr Conrad Strauss was chairman of Standard Bank Investment Corporation from April 1992 to December 2000. After lecturing in economics at Rhodes University, he joined the Standard Bank of South Africa in 1963 and became its managing director in 1978. In 1984, he became group managing director and subsequently, in April 1992, was appointed chairman. He holds degrees from Rhodes University in Grahamstown and Cornell University in the United States of America.

Alternate Directors
ROB LOUREY (45) (Australian)
Appointed an alternate director in 2000

Rob Lourey is The BOC Group's human resources director. He joined BOC in Australia in 1996 and, most recently, was human resources director for Asia/Pacific. He has a bachelor of business degree in personnel management.

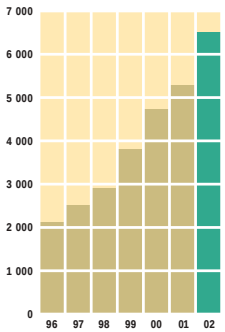
Financial highlights

- Revenue up 24 percent at R6,5 billion
- Net profit for the year up 18 percent at R390 million
- Dividends up 20 percent at 62,5 cents
- Gearing reduced from 22 to 21 percent
- Net cash inflow from operating activities – R670 million

	2002	2001	Percentage change
Revenue (Rm)	6 512	**5 239**	**+24**
Profit before taxation (Rm)	751	**602**	**+25**
Net profit for the year (Rm)	390	**330**	**+18**
Headline earnings per share (cents)	124,8	**94,3**	**+32**
Dividends per share (cents)	62,5	**52,0**	**+20**
Number of employees at year end	16 809	**15 505**	

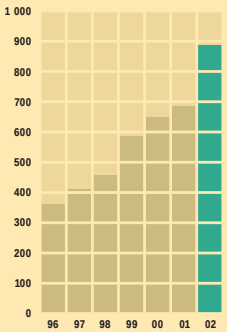
Afrox produces over 100 000 regulators a year and exports to south east Asia, Australia, New Zealand, the USA, as well as supplying local markets.

Revenue (Rm)

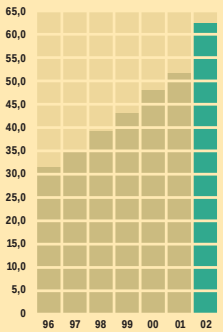


Afrox now has 47 completely refurbished sales centres throughout South Africa. The new upgraded and re-imaged sales centres show higher revenues with average increases typically around 20 percent. Here Afrox salesmen Michael Labacher and Philamon Selepe show two of the new Afrox regulators for the South African market.

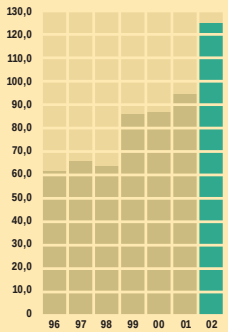
Operating profit (Rm)



Dividends per share (cents)



Headline earnings per share (cents)



John Walsh

Chairman's statement

Dear Shareholders,
I am pleased to report that our 75th anniversary year brought excellent results with revenue 24 percent higher at R6,5 billion and an increase in headline earnings of 35 percent.

These results enabled your board of directors to declare an increased dividend totalling 62,5 cents per share which was up 20 percent on the previous year. We also recorded the best return on capital employed, the lowest gearing, the highest operating profit and the highest operating cash flow in many years.

These fine results were achieved in spite of the dilution of Afrox's shares in Afrox Healthcare Limited from 82 percent to 70 percent. This resulted from Real Africa Holdings Limited taking up its pre-listing call option in Afrox Healthcare, which increased the Real Africa holding by 12 percent to 17 percent.

Afrox has delivered consistent growth to shareholders since our listing 39 years ago and during that period has never cut a dividend. We have performed well during our 75 years in business and over this period, we have recorded an annual compounded growth rate of 14,5 percent.

THE ECONOMY

The results of the past year have been aided by a continuing improvement in the economic environment, particularly in the mining and manufacturing sectors, and assisted by an increase in export activity. These factors benefited your company with its strong representation in these sectors.

The volatile Middle East situation and uncertainty of recovery in global markets could affect the performance of the local economy and make forecasting difficult. Nevertheless your company is poised for further growth and should produce sound results in 2003.

TIES WITH BOC

For 70 of Afrox's 75 years, The BOC Group has held a controlling interest that is currently 55 percent. Afrox is an integral part of this global group, which operates in 50 countries. Our company structure reflects BOC's global lines of business, and receives considerable benefit in the transfer of best operating practices, peer contact, and global marketing for products such as the gas equipment and welding consumables range of products, which is now sold in more than ten countries outside Africa.

CORPORATE INITIATIVES

Corporate governance (including the King II report) is of necessity an increasing area of focus. New standards of performance and disclosure are being set. Afrox has always, and will in future, comply with very high standards of governance and discipline.

> "Afrox is part of a global company and is developing large markets worldwide with The BOC Group."

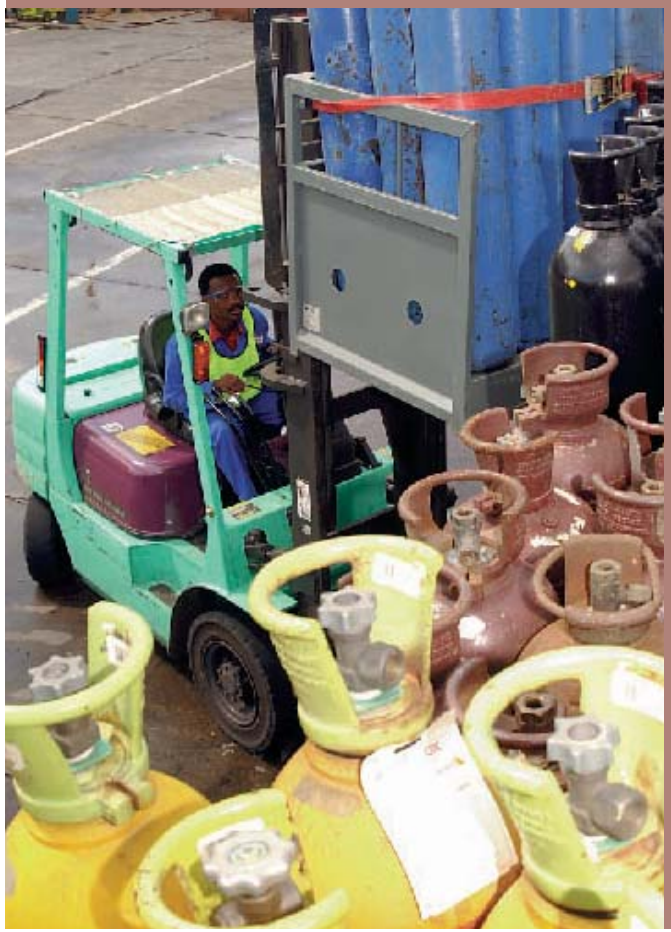
Afrox is particularly proud of its black economic empowerment successes and has created many black businesses, especially through the Handigas distributor programme, which has been operating for several decades. We are pleased to record that this programme has created and assisted many black Handigas stockists. We have also created 26 medical gas SMMEs.

EMPLOYMENT EQUITY AND AFFIRMATIVE ACTION

Afrox has for many years been committed to the elimination of any discrimination in the workplace and to the advancement of previously disadvantaged individuals and groups. Sound policies and programmes are in place regarding employment equity and affirmative action. This year 52 percent of all Afrox employees and 22 percent of management ranks were from formerly disadvantaged backgrounds.

GROWTH

Afrox's growth strategy, developed in association with BOC, to expand the business, is based on defending the core business, while actively seeking new markets, new products and new offers to customers. Your company will focus on the development of new products, export sales, with an emphasis on best operating and commercial practices to enhance efficiencies and improve profitability. Many of these initiatives are in place and showing results.



APPRECIATION

This has been my first full year as chairman and I could not have expected a better set of results. The company's performance was of the very highest standard, and its leaders and managers, once again, demonstrated exceptional commitment.

At the onset of this financial year, your board appointed Rick Hogben as managing director, and Mike Flemming replaced him as managing director of our subsidiary, Afrox Healthcare. Both gentlemen have produced excellent results during their first year in office.

The board of directors continued to provide sound guidance for the company and I thank them for this. I should also like to thank the employees of the company for their fine efforts in achieving another record year, and, in conclusion I can confirm that our customers will receive continued service excellence of the very highest standard.

John Walsh
Chairman
31 October 2002

> An R800 million capital expenditure programme will support Afrox's 2003 growth strategy to develop the business, and secure selected focused acquisitions.

Rick Hogben

Managing director's review

It is a pleasure to be able to report excellent financial results which are well documented in this annual report.

Sound asset management enhanced these results, and return on capital employed improved to 26 percent, with gearing, at 21 percent, the lowest in 10 years. A notable feature was the excellent cash management, with cash generated from operations increasing to a record R1,2 billion.

All businesses showed marked increases in both revenue and operating profits. Industrial and Special Products' operating profit was 19 percent higher, Process Gas Solutions improved by 38 percent and Healthcare, by 37 percent.

Continuing sound management, a firming economy, the development and marketing of innovative products, export sales, new customer offers, acquisitions and capital growth projects contributed to these results.

2002 GROWTH

The performance of each business unit is reviewed in detail on pages 18 to 27 in this annual report. Industrial and Special Products achieved real growth in its core cutting and welding business helped by an improvement in the country's manufacturing economy. This increase in activity was supported by the considerable success for our marketing initiatives and the development of innovative products. Examples include the AfroxPac 35 self rescuer and the export range of gas equipment and welding consumables.

AfroxPac 35 is a world benchmark product developed and designed by Afrox. Launched during the year, it is an oxygen producing, chemically based self rescuer, used underground by miners. Orders for the first six months top R65 million.

A full range of gas equipment and welding products designed and made by Afrox is now marketed in many developed countries. During the year export sales grew by 60 percent. Global marketing is conducted in conjunction with our parent, The BOC Group, who sells and distributes the products under its own brands. These are quality products that are considered best in class achieving recognition as world benchmark products.

Other notable Industrial and Special Products performance achievements came from the Handigas business, which showed a 37 percent improvement in operating profit, aided by margin recovery and new bulk contracts coming on stream. Our refrigerant gases and propellants business, started three years ago, has grown considerably and our traditional core bulk gases business continued to expand with new and existing customer applications.

Buoyed by increased activity in the merchant market and good tonnage growth, Process Gas Solutions (PGS) performed well. A pressure swing adsorption plant was commissioned in Mali for Anglo American at Sadiola Hill gold mine, and supplies oxygen for use in the gold leaching (Goldox) process. Demand for bulk gas, particularly in the mining and metallurgy sector boosted sales.

This small control capsule makes Afrox regulators 'best in class'. In three years its design has been enhanced as many times and will continually be changed to give Afrox the manufacturing edge in global markets.

Our Healthcare business focused on the customer and the delivery of quality patient care, resulting in another excellent year. Acquisitions contributed to growth and included the four Amahosp hospitals, as well as Wilgers, Queenstown and St Mark's. These hospitals strengthened the company's geographic coverage and referral network. Shareholdings were increased in some hospitals where previously we held minority interests.

An organisation restructure of the regional hospital management and a re-engineering of the finance and administration function increased the professional service offering.

FUTURE GROWTH

An R800 million capital expenditure programme will support Afrox's 2003 growth strategy to develop the business, and secure selected focused acquisitions.

We will continue to expand new products and services for both local and global markets while ensuring that existing products, such as AfroxPac and our gas and welding consumables range, remain world class. Our focus is on enlarging our Special Gases and Packaged Chemicals businesses and growing Handigas as both an industrial and a consumer product. We will seek new markets in various African countries particularly for Handigas, carbon dioxide and welding products.

Afrox is represented in a wide variety of markets and industries. Hospitality is one of the sectors of the South African economy that is contributing to Afrox's growth. The business supplies nearly every restaurant, hotel and casino in South Africa with products that range from Handigas for cooking, to Suremix for dispensing draught beer.

In tandem with BOC, other key growth areas include Industrial Products, special gases, Handigas, and medical gases.

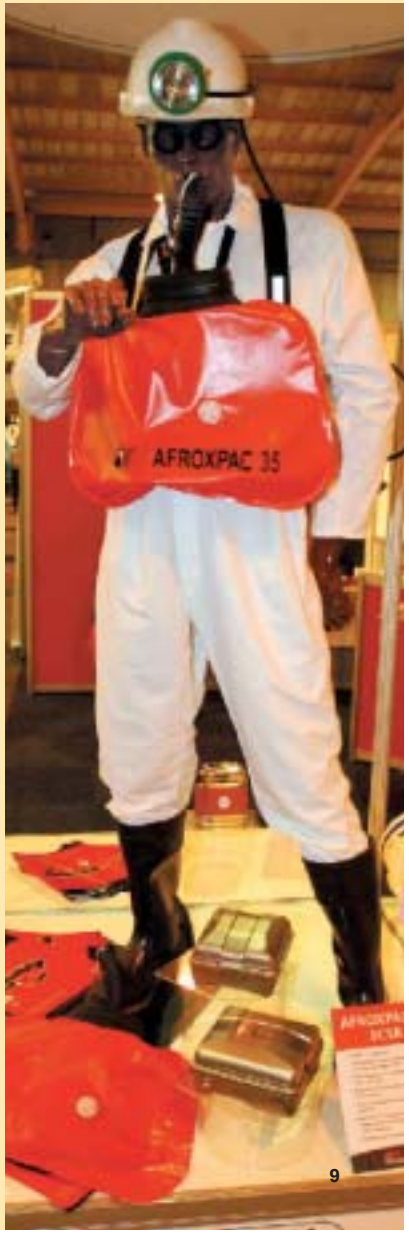
Our strategy for Healthcare is to improve the geographic network coverage with selective acquisitions that will offer an even better service to funders. R400 million has been earmarked for growth projects and we plan to implement new marketing offers and products. These include several eHealth business opportunities including Point of Care technology, and Synchromed, which is a new eHealth initiative connecting funders, doctors and hospitals with patient medical information. In addition, a low cost healthcare delivery model has been developed and is currently being launched through funders.

SAFETY

Our safety record this year has been excellent. It has been one of our key themes for the past twelve months and is the first item on every business agenda. At the beginning of the year, we set ourselves a five year target of halving the incident rate. We are proud to have achieved that objective in a single year and to report a 61 percent improvement in the lost workday case rate. There were no fatal accidents - and the total recordable case rate was 52 percent better.

This turnaround in safety is a direct result of sustained focus by all levels of management and employees, and supported by training and awareness programmes. Notable improvements came from our Africa operations, and all our regions have achieved NOSA 5 star ratings. Two of our three regions are now credited with ISO 9001:2000.

The Afrox developed AfroxPac 35 is a self-rescuer used by underground miners. Here it is displayed at the recent Electra Mining Exhibition where it was also launched. It is chemically based and has the stringent new approval SABS 1737. The product is best in class and has orders to date of R65 million.



The 'Safety Through Empowerment of People' (STEP) model will be cascaded to all branches. We will focus on near misses to make sure that a near miss never becomes an accident, and an accident never becomes a fatality.

APPRECIATION

This year we say goodbye to several senior managers. Retirees include Don Carroll, who heads operations and technology, Thys Walters who has spent most of his time with the company in the sales regions, and Gerald Buitendach, who headed our human resources division. Don and Thys leave the company shortly and Gerald left a few months prior to the financial year-end. Our thanks go to these gentlemen who have given Afrox many years of excellent service. In addition, Nick Haines, our general manager of Special Gases, has transferred to our sister company in the United States. We are sure that he will be as successful in his new position as he was in Afrox.

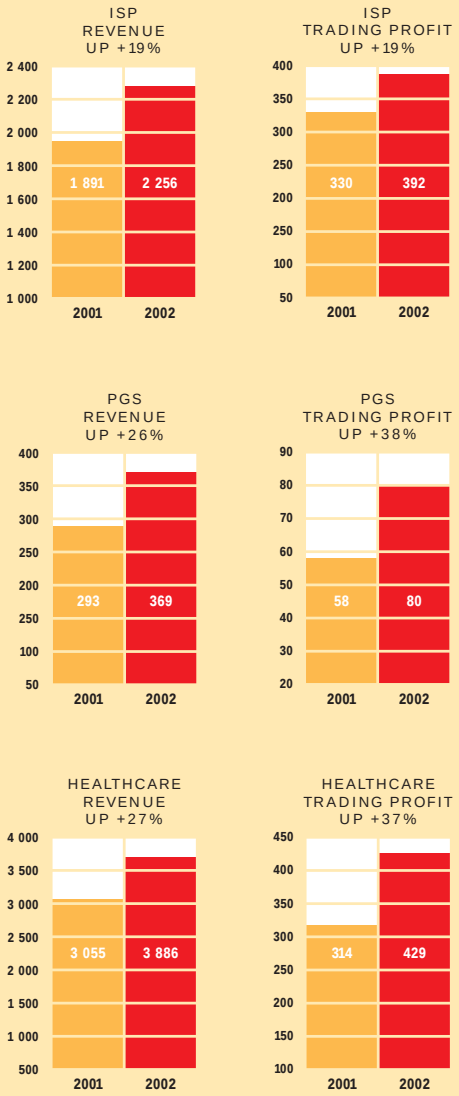
Positions left vacant by the above managers have been filled with a younger management team bringing fresh talent and vitality to the company.

Afrox continues to reinvent itself; 60 percent of sales in this financial year come from markets that we were not in ten years ago. We continue to use our core competencies, which include technological excellence and access to markets and customers, to create further competitive advantage. We are proud of our track record of innovation and entrepreneurial flair.

My thanks go to all staff, my immediate management team, my co-directors and, of course to our customers whose invaluable support has given Afrox its leadership position.

Rick Hogben
Managing director

SEGMENTAL ANALYSIS



Afrox's first head office.

Harvey Shacklock, the founder and first managing director of the company

75th anniversary

On 1 April 1927, Allen-Liversidge Industrial Gases opened its doors for business in Newtown, Johannesburg.

At this time the manufacture of oxygen and acetylene was at a fairly advanced stage. Several companies had been developing the necessary production skills since the beginning of the First World War. Although they made oxygen mainly for their own use, any surplus was sold in cylinders to medical users or to the infant oxy-acetylene welding industry. In as early as 1880, acetylene generating plants were producing acetylene for domestic lighting installations as well as for bicycle and carriage lamps.

One of the first South African companies to realise the potential of the industrial gas market was Dowson & Dobson Limited, which became sole South African agent for a British company, Hydrogen, Oxygen & Plant Company (Hopco).

In 1921 Hopco opened a factory at 99 Park Road, Newtown, for the manufacture of oxygen and hydrogen using the electrolysis-of-water process. At the same time Harvey Shacklock emigrated to South Africa. He brought with him the Allen-Liversidge agency, and two years later he started Allen-Liversidge South Africa Limited.

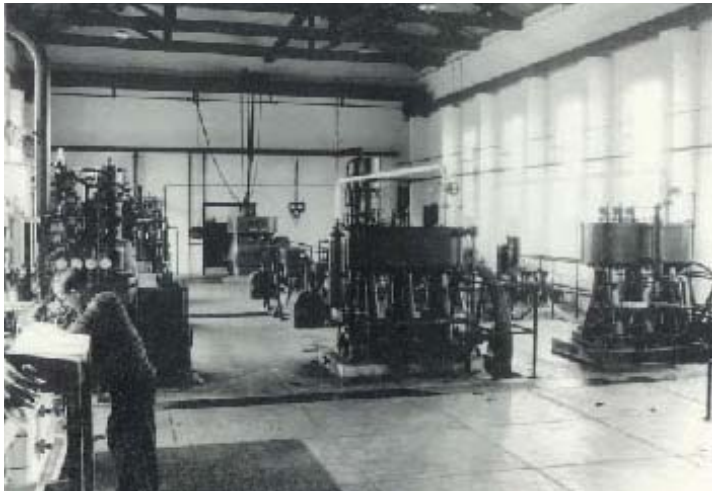
By the mid-1920s, electricity had replaced gas as the prime energy source for lighting. Gas producers were forced to focus on the welding and medical markets.

Harvey Shacklock understood that the key to survival and ultimate success lay in the consolidation of the industrial gases business in South Africa. In 1926 he entered into negotiation with six independent gas-producing companies. By March of the following year Allen-Liversidge Industrial Gases (South Africa) 1927 (Pty) Limited had been formed. For its time, a merger on this scale was a major business feat.

The new company was formed with a capital of £100 000 of which £90 000 was issued as £1 shares in return for plant, cylinders, other assets and £2 500 cash. After preliminary expenses the newly formed gas company started business with £1 966.3s.2d.

The amalgamation of the six independent companies gave Allen-Liversidge Industrial Gases plants in Johannesburg, Cape Town, and Durban. The company began trading under the managing directorship of Harvey Shacklock at the former Hopco plant at 99 Park Road, Newtown.

Newtown was one of the first industrial centres on the Reef. The boundary between the old town and Newtown was Diagonal Street, and it was literally the 'cutting edge' between the commercial east and the hurly burly of manufacturing and commodities trading to the west.



One of the company's early oxygen plants

Beau Sutherland (right), a past managing director of Afrox, with Noel Beal on his retirement from the company. Noel Beal, a marketing director, launched Handigas in 1955.

Hugh Hargreaves, Afrox's medical division head, at a presentation of an operating table to Prof Chris Barnard, before the first heart transplant in 1967.

Newtown was a place where marketing was talk on the streets, deals were done on a handshake, and fortunes made and lost on a promise.

Newtown boasted a power station, electric workshops and a turbine hall. There were two flour mills, a livestock market, and vast sheds to store the thousands of bags of potatoes required to feed Johannesburg. The municipal abattoir and its meat-packaging factory had boosted the economy of the area and when the indoor market opened in 1913 it was the largest building in South Africa. The area was home to saddlers and grain merchants, seedsmen and fertiliser outlets, hardware and building suppliers and many other businesses. Newtown was also conveniently close to the Hollard Street Stock Exchange.

There were drawbacks in Newtown for a company that now had branches in many South African and African cities. The close proximity of stables for transport mules, and their concomitant flies, made the area, in Harvey Shacklock's words, 'unhealthy and unpleasant'. More pressing was the shortage of space, so, in 1929, Head Office moved to Germiston.

In 1931 the company began trading as African Oxygen & Acetylene (Pty) Limited and in 1935 British Oxygen (The BOC Group plc.) bought a controlling interest.

The thirties were a decade of expansion, with branches opening as far away as Dar-es-Salaam, Tonga, Mozambique and Nairobi. Events took a different turn when the world went to war in 1939.

When war was declared on Germany, the resources of the company were directed towards the Allied effort. African Oxygen established a welding school and trained 5 000 welders. Knowledge of the process of welding armour plate was scant but there was a demand for the construction of armoured fighting vehicles. In conjunction with Iscor, experiments were undertaken at the company's laboratories at Germiston, and African Oxygen was charged with the manufacture of welding gear used by most of the South African forces.

After the war Afrox played a role in establishing the South African Institute of Welding. The company continued to expand into the 1950s. Handigas was launched in 1955. The name under which Afrox marketed liquefied petroleum gas is a brand leader in South Africa. The argon arc welding process became well known as metal arc welding, the Saffire cutting blowpipe was launched, and a gas equipment factory was opened. In 1957 the company formally changed its name from African Oxygen and Acetylene (Pty) Limited to African Oxygen Limited.

2002 community projects

To mark Afrox's 75th anniversary the company donated R1,5million to 115 community homes selected by Afrox employees as part of the company's community involvement process.

BOTSWANA

Tshimologo Stimulation Centre
Makgasa School, Tlamelo Project
Anne Stine Centre
S.O.S. Children's Village
Motswedi Rehabilitation Centre

EASTERN CAPE

Diana Jantjies (Ubuntu Mother)
Frere Hospital Children's Ward B6
Willowpark Primary School
Living Waters Creche
Kingwilliamstown Child & Youth Care Centre
Children in Crisis Resource Centre
Lakeside Educare Centre
Masikhulisane Youth Development Centre
The East London Children's Home
Liebenhaus Children's Home
Sinomonde School
Eluxolweni Child Care Centre

FREE STATE

Eden Christian Ministries, Bethlehem
Iphahamiseng Community Likelyhood Centre
Eden Christian Ministries, Kroonstad
Kidz Care
Morningstar Children's Home

GAUTENG

Sparrow Rainbow Village
Lambano Sanctuary
Janai Children's Home
Fairlands Benoni
Orlando Children's Home
Norman House
San Michele
Guild Cottage
Midrand Support Centre
Epworth Children's Home (Cypress House)
East Rand Children's Haven
Kathorus Child and Family Welfare
Sithabile Child and Youth Care Centre
Westerlig Projek
Prinshof School
Epworth Children's Home (Oak House)
Abba House (Part of SA Cares for Life)
St Mary's Children's Home
Fred and Martie's Soup Kitchen
Cotlands Baby Sanctuary
Epworth Children's Village Cypress House
Takalani Home
Kids Haven

continued on page 14

Only eight MDs in 80 years

Afrox has a proud history and a solid future. The company has been guided through its first 75 years by eight chief executives.

John Atkinson

Harvey Shacklock

Beau Sutherland

Tommy Potts

Royden Vice

Peter Joubert

Rick Hogben

Jimmy Marriott

Afrox's third annual sales conference

In 1963 Afrox went public. Some 6 500 South Africans took shares in a share offer that was over-subscribed 32 times, a record that was to stand for many years on the Johannesburg Stock Exchange (JSE). Each year a new company added to the changing shape of Afrox, which was fast becoming a blue-chip investment. It was during this period that Dowson & Dobson was acquired.

The 1970s heralded an era of intense competition in the gas business. Air Products and Fedgas entered the South African market to compete with Afrox and Air Liquide. A committed team helped Afrox to maintain its market share and increase its sales.

Celebrating its 50th anniversary in 1977, Afrox donated R50 000 to the Urban Foundation, which was formed to involve the private sector in improving the quality of life of urban communities. After 50 years of existence the company was employing 5 000 people and had over 60 branches throughout sub-Saharan Africa.

Afrox's involvement in healthcare dates back to the 1950s when the company supplied medical gas and medical equipment to hospitals. Afrox became an agent for some of the top operating tables in the country. Afrox even built a nursing home in the mid-fifties but sold it after 12 months. Some 30 years later, in 1983, the company entered the healthcare market with the purchase of 85 percent in Ammed, the JSE-listed group, comprising the Eugene Marais, Princess, Florence, and Lady Dudley hospitals and the Randburg Day Clinic.

The following year the Brenthurst Clinic was acquired and City Park Hospital was opened in Cape Town. During this decade, Afrox continued to acquire or invest in hospitals such as the Entabeni, Glynnwood, St George's and Springs Parkland. Afrox Healthcare now has 63 acute-care hospitals that tend to the needs of some 450 000 patients a year, nearly 300 000 of whom undergo operations. Afrox Healthcare listed on the Johannesburg Stock Exchange in 1999.

Entabeni, meaning 'Place on the Hill' in Zulu, was officially opened as a hospital in 1930. Prior to that it was a gracious home of Frank Stevens, a prominent Durban businessman.

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Sacred Heart Child Care Centre (Dikatole)
Nazareth House
Bethany Girls' Home
Bethesda Home for Children with HIV/AIDS
St Joseph's Children's Home
Nkosi's Haven
Dimpho Stimulation Centre, Soweto
Re-e-lwele School
Pta Child & Fam. Welfare, Schubart Park
Rainbow Cottage & Phomolong Child Centre,
Tembisa Child Welfare
Phafogang Creche and Preschool
Rainbow Day Care Centre
Whychwood Primary School
Khanyesweni Children's Home
Pam Brink Primary School
Robin Good Ministries
The Salvation Army Benoni
TLC
Sombalane Primary School
Vanderbijlpark Child and Family Welfare
Morojaneng Primary School
Emdeni Children's Home
Kingsway School

KENYA

Spirit of Faith Children's Home

KWAZULU NATAL

Makhaphutu Children's Home
St Thomas's Home
Ngwelezane Place of Safety
Bethshan Children's Home
Bergsig School, Utrecht
Natal Kinderhuis
Streetwise SA
House of Shalom (Ikhayalethu Children / Siyabonga Children's Home)

LIMPOPO PROVINCE

Chris Hofmeyer Laerskool

MALAWI

Montfort Training College - Special Program for blind & deaf children

MOZAMBIQUE

Iris Ministries

MPUMALANGA

Selma Koerie Centre for the Disabled & Loerie Jeugsentrum
Highveld Safehouse
Bonginlanhla Stimulation Centre
Nelspruit Displaced Children's Project
SAVF Louis Hilderbrandt Children's Home
Thembelihle Self Help Centre

NAMIBIA

SOS Children's Village
Committee for Orphans & Vulnerable Children
Namibia Network of AIDS
Service Organisations

NORTHERN CAPE

Thusong Children's Home
Mmarona Preschool
Oasis Skills Development Centre for the Disabled
Jannie Roux Campus, Barkley West

NORTH WEST PROVINCE

Huis Kannabas, Durbanville Children's Home
President School, Klerksdorp
Children's Surgical & Medical Wards at Klerksdorp Provincial Hospital
Foster Home in Potchefstroom & Rethabile Orphanage, Klerksdorp
Ntsholeng Early Learning Centre
Community Care Preschool
Wilhelmina Kloppers Creche
Sonop School
Meerhof School

SWAZILAND

Enjabulweni Youth Centre

WESTERN CAPE

Huis Kannabas, Durbanville Children's Home
St Francis Children's Home
The Ark City of Refuge
Holy Cross Children's Orphanage
R.C.ACVV Moreson Kinderhuis Welfare Society
Susan la Poorta's Children's Home
Beautiful Gate
Knysna Sports School
Seawind and Vrygrond Aftercare Facility
Oliver Thambo Educare Centre
Karitas School for Special Education

ZAMBIA

Marian Shrine - Nyumba Yanga
Nissi Care Centre

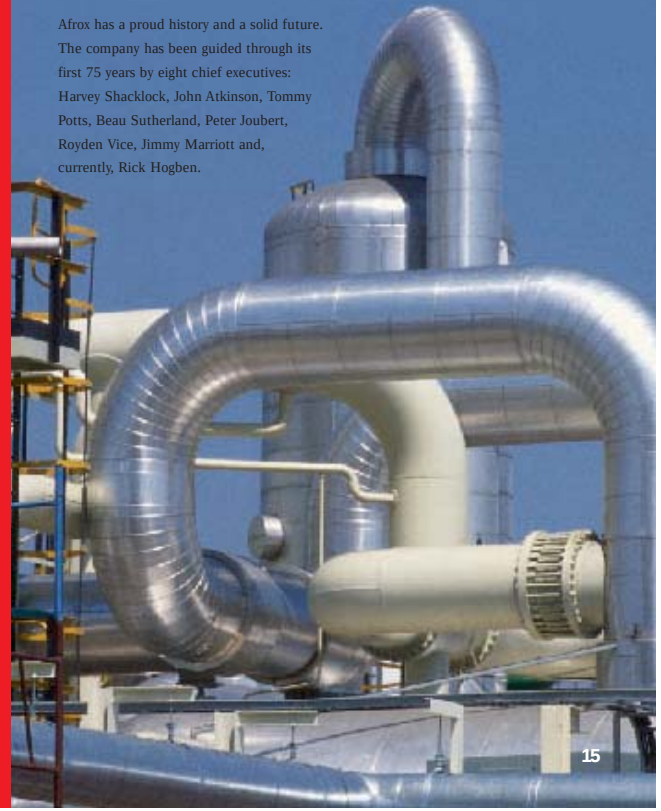
Growth in the 1990s was exponential, demonstrating the company's commitment to the new South Africa. During this time the company won the BOC Award for Technology for its Goldox system that uses pure oxygen in gold recovery. The largest argon purification unit in the southern hemisphere was commissioned at a cost of R15 million, Engen's LPG cylinder business was acquired for R88 million, and the company listed on the Namibian Stock Exchange. In 1996 Afrox's turnover reached R2 billion for the first time. In 1998, the Mpumalanga plant, the company's largest project ever, was opened at a cost of R270 million. This gas-producing plant, with its 50 km gas pipeline, supplies industrial gases to major customers in the Mpumalanga area.

In 1999 the BOC board recommended that shareholders accept an offer from Air Liquide of France and Air Products of America to acquire the global BOC group. For a time Afrox's future seemed uncertain, but eventually the R7.2 billion joint bid was unsuccessful and, as a result, Afrox remains intact.

Afrox has a proud history and a solid future. The company has been guided through its first 75 years by eight chief executives: Harvey Shacklock, John Atkinson, Tommy Potts, Beau Sutherland, Peter Joubert, Royden Vice, Jimmy Marriott and, currently, Rick Hogben.

In 1983, Afrox entered healthcare by purchasing four hospitals and one day clinic.

This R270 million oxygen, nitrogen and argon plant in Mpumalanga is the company's largest project ever. It was commissioned in 1998.



> **African Oxygen Limited is one of South Africa's top 50 companies. It employs some 16 500 people, and has a market capitalisation of over R4,5bn.**

Company profile

This year marks Afrox's 75th anniversary. The company listed in 1963, and has continually declared increased dividends, with the exception of one year in which the dividend remained unchanged.

From its origins in industrial gases, the company has developed into an industrial and healthcare group, growing its industrial gases while supplying welding equipment and healthcare on a large scale. Afrox repositioned itself ten years ago and, with South Africa's re-entry into the world economy in 1994, was able to compete globally. Today more than 60 percent of its revenues are derived from new products, services, applications, and markets not serviced ten to 15 years ago.

Afrox is sub-Saharan Africa's market leader in gases, welding products, and healthcare, with a market capitalisation of over R4,5 billion and 330 million shares in circulation. Of these shares, 55 percent are owned by The BOC Group plc – one of the world's leading gases companies, with operations in 50 countries on five continents. The company has a 69,6 percent holding in Afrox Healthcare Limited with 222 million shares in circulation and a market capitalisation of around R2 billion.

One of South Africa's larger employers, Afrox employs 16 809 people in its gas and welding and in its healthcare businesses. The group's two listed companies are ranked among the top companies in South Africa.

Afrox consists of two distinct sectors: industrial and healthcare. The industrial operations are divided into two lines of business: Industrial and Special Products (ISP) and Process Gas Solutions (PGS). ISP involves cylinder and liquid fabrication gases, special and medical gases, Handigas, welding products, and two welding product factories. PGS is made up of large gas producing plants, gas pipelines, and bulk liquid gases. The healthcare business, managed through Afrox Healthcare Limited, is the third business and owns and manages acute care private hospitals and sameday surgical centres, complemented by healthcare services companies.

LINES OF BUSINESS

Afrox's lines of business align with global reporting structures set by BOC. Being part of an international group gives the company an edge in technology, product research and development, and best operating practices. Regular international meetings determine best operating practices that can be replicated in other countries.

INDUSTRIAL AND SPECIAL PRODUCTS

The ISP business is backed by an impressive infrastructure. Its carrier fleet, consisting of some 500 vehicles, operates from 113 South African branches and from another 30 branches in 15 other African countries. The business has some 3 000 distributors and sales agents, approximately three million cylinders in circulation, and offers a range of over 3 000 products supporting a customer base that exceeds 65 000. Some 85 percent of all industrial products and 60 percent of Handigas sales are supplied directly to end-users.

In South Africa, ISP is able to supply a wide range of gases, special gases and gas mixtures. Handigas, Afrox's liquefied petroleum gas brand, and certain gaseous chemicals such as propellants and refrigerant gases, are outsourced in bulk, and delivered to customers either in bulk or in cylinders of varying sizes, depending on each client's requirements.

PROCESS GAS SOLUTIONS

PGS services customers in South Africa and sub-Saharan Africa with large volumes of gas. Through PGS, Afrox is able to supply its customers by bulk road tankers, pipeline, or from gas producing pressure swing adsorption plants (PSAs). The main products supplied are oxygen, nitrogen, argon, carbon dioxide, and hydrogen. Strategically sited plants throughout South Africa include 10 large plants, mainly producing oxygen, nitrogen and argon; five carbon dioxide plants; three hydrogen plants; and 22 gas producing pressure swing adsorption plants, mainly sited on customer premises.

HEALTHCARE

Afrox has a 69,6 percent interest in Afrox Healthcare Limited that, in turn, owns, manages and has interests in a total of 63 hospitals and same-day surgical centres. These have 7 576 acute care beds catering for 450 000 bed admissions a year, and some 300 000 theatre cases. In addition Afrox Healthcare has 9 500 long-term care beds and is well equipped to handle an extensive range of emergency and trauma work with its network of 43 emergency units.

A healthcare services business, Direct Medicines, specialising in chronic medication management, has a patient base of approximately 200 000.

Afrox Occupational Healthcare is the country's leading provider of contracted on-site healthcare services to commerce, industry and mining. The division's 150 customer-owned clinics situated across the country currently provide occupational and primary care to 100 000 patients.

Afrox Healthcare Limited, in conjunction with the University of Port Elizabeth, runs the Afrox College of Nursing. This successful venture has witnessed the successful graduation of 1 000 students since its inception in 1998.

ENABLING FUNCTIONS

State-of-the-art centralised service centres for customer service, financial service, human resources, and bulk gas distribution increase efficiencies, contain costs and improve customer and patient focus. Afrox Healthcare has a call centre at Direct Medicines, handling 80 000 calls a month.

Industrial and Special Products

Industrial & Special Products (ISP) had a very good year, characterised by a return to growth in the core cutting and welding business and the recovery of lost margins in the Handigas business.

A separate division was established, reporting to a general manager, in order to accommodate the medical gases business, and, with an increasing focus on customers, a separate key customer management function was formed reporting directly to the managing director.

WELDING AND CUTTING

The core cutting and welding business realised the first real improvement in several years. This upswing in the main industrial business reflects both the underlying growth in the South African mining and manufacturing economies and the new sales and marketing initiatives that have shown strong growth.

These initiatives included an in-depth exercise to find and market an innovative Performance Enhancing Customer Offer (PECO) by analysing customer needs and meeting those needs in the various markets and sectors in which the company operates. After relevant research, the branded offer ProServe was launched. This offer for medium to large customers has been extremely successful and ProServe agreements have been signed with a significant proportion of the identified customer segment. ProServe customers have accounted for considerably higher sales growth than customers in the same identified customer segment.

ProServe has specific agreements with major customers and aims to add value, based on the customers' needs and requirements. The offering has achieved sound results in its first full year of operation. ProServe offers customers a service commitment, that is, a signed contract, committing the company and its employees to a new level of service.

Smart Supply Chain Management backs Afrox's standard service offering of a professional, efficient ordering and distribution system. In 2002 the Afrox smart supply chain project was awarded first place in the category: World Class Supply Chain Integration in the Logistics Achievers' Awards.

Industrial & Special Products executive team, from left to right, standing: Nazmi Adams (marketing), Peter Betch (regional), Walter Pretorius (systems department), Jonathan Narayadoo (regional), Stephen Viljoen (Africa operations), Nick Haines (special gases), Wayne Lee (welding products), Peter Roberts (medical), Thys Walters (development).
Seated: Rob Mellon (key customers), Don Carroll (technical), Rob Clarke (finance), Rick Hogben (MD African Oxygen Limited and Business Unit Head, ISP), Alan Jones (regional), Keith Bonynge (Handigas).
Not present. Patrick Dunseith (customer service centre).

The performance-enhancing offer that led to the launch of ProServe is a multi-faceted package. It includes all market segments and sizes. Key customers have a senior manager dedicated specifically to their business. The manager is required to have an intimate knowledge of the customers' business and the package includes tailored supply, contracted delivery performance, e-commerce and, in many cases, special dedicated on-site Afrox service outlets on the customers' premises.

Other customer offers have been developed for different customer segments. For the call customers Afrox has renovated branches to include modern retail merchandising outlets. Price advantage and convenience are realised through self-help and collection.

Three new sales centres opened and 12 centres were completely upgraded in the past 12 months. The number of upgraded sales centres now stands at 47. An estimated 58 000 people visit the centres monthly and retail sales have grown significantly. Following the example set by the successful BOC model in retail centres globally, Afrox has increased its product offering, and has begun a pilot project to introduce a range of safety and other products into selected Gauteng sales centres.

The marketing initiatives have shown extremely good results in both sales and profits. In addition to the marketing thrusts, however, new products and product initiatives have contributed substantially to growth. These include welding products export sales, which have grown a substantial 60 percent year on year, and the Afrox-developed, best in class and industry benchmark, AfroxPac 35, self-contained self-rescuer for underground miners.

Afrox is South Africa's largest supplier of welding products offering a comprehensive range of services to meet the needs of the metal fabrication industry. Since the mid-nineties, a new global mindset has created export opportunities. An upgrade at the Germiston factory producing gas, welding and cutting equipment, and the Brits welding electrode and wire plant, set the stage for the development of a range of world-class products. These have made Afrox a unique global player.

Four years ago a project named Firefly was launched to establish BOC as the leading supplier of BOC branded gas equipment in the global market worth a billion US dollars a year. As the BOC's gas equipment centre of excellence, Afrox played a leading role in the design, manufacturing and marketing of the gas equipment products. Afrox is the only gas equipment manufacturer in The BOC Group and is the preferred supplier in the group.

To date this marketing thrust has been extremely successful. The Afrox products that are considered best in class are sold under the BOC brand in Australia, New Zealand and six south east Asian countries. Afrox holds an estimated 30 percent of the quality market segment in south east Asia, 40 percent in Australia, and 50 percent in New Zealand.

This year BOC launched in the North American market under the Airco brand. Airco was the name of the American company that BOC acquired and renamed, BOC Gases. As a brand, Airco enjoys

considerable support. Afrox supplies the high-end quality and performance regulators in the Airco range. Again the launch has been successful. The plan is to launch it sequentially in Hawaii, Canada, Venezuela and Columbia over the next 12 months. Other markets being analysed at present are Europe, Japan, Taiwan, Chile and South America.

In addition to supplying finished products, Afrox designed the most advanced encapsulated valve which is kernel to the BOC regulators sold globally. Using the same principle as the 'Intel Inside', BOC supplies and owns the encapsulated valve but outsources the assembly where required. All the encapsulated valves are made by Afrox at its Germiston factory.

Both welding products and compressed gases markets have grown significantly in some of the larger market segments, namely, automotive, steel, petrochemical, platinum, agricultural industries, and exports to Africa. There has been an upsurge in gas products with compressed volumes gaining considerable market share.

The company's well developed infrastructure and specialist customer support capability has resulted in increased market share of specialist welding consumables. Afrox is the exclusive distributor of Millar arc welding power sources, and the major supplier of resistance welding machines and plasma cutting equipment. An extensive range of fuel gases, gas regulators and safety equipment is also available for welding and cutting processes. During 2002, locally manufactured welding equipment with an outsourced electric welding machine was successfully launched.

ENERGY

Afrox markets its LPG (liquefied petroleum gas) under the well-known Handigas brand. The performance for the year was good, with volume growth in an expanding market. There was more stability around the dollar pricing of oil, although the rand/dollar exchange rate has fluctuated. Margins lost in the previous year were however, restored, and, looking ahead, management is committed to maintaining and improving margins.

Refinery shutdowns caused product shortages. Afrox, however, was able to supply product with no disruption to customers. Winter sales are traditionally higher, and this year volume growth increased to an all time high.

Handigas is able to tap into Afrox's extensive infrastructure of 113 branches as well as its own network of some 3 000 retail outlets and distributors. The company has initiatives in place to extend distribution to low-income households and rural communities. Opportunities for further export to African countries have been identified and plans are in place to expand this distributor base.

The bulk LPG business performed well as a result of contracts secured. New site installations were commissioned, with the potential for large tonnages at Rosh Pinah in Namibia and Black Rock in the Northern Cape.

SPECIAL PRODUCTS

The special products division has posted good results. It markets a range of special and high purity gases, calibration mixtures and packaged chemicals.

Afrox's traditional scientific gases business has shown pleasing growth during the year. In order to secure a supply of scientific gases to the country's largest scientific gas consumer, Sasol, three new stores were established on its sites.

Strong growth has been sustained in the packaged chemicals market. Afrox commissioned an ammonia packaging plant during the year, and the site is now operational. The company commissioned an ultra high purity ammonia plant for the production of ammonia to be used in NF3 manufacture. The plant recently commenced deliveries of this high specification product, which has a purity in excess of 99,9995 percent and an extremely low moisture content. A significant volume of this product will be exported.

The refrigerants business has grown in a market that is fairly static. Afrox's extensive branch network gives the company a competitive advantage, facilitating increased revenues of these products. Sales have grown substantially since Afrox entered this market some three years ago.

In a global market of tightly held helium supplies and complex costs, Afrox has ensured the provision of ongoing supplies of product to customers.

MEDICAL GASES

The growing importance of Afrox's medical business, has, during the latter part of this year, led to the creation of the medical gases division, headed by a general manager. This move is designed to provide a greatly increased focus on the company's overall medical operations and marketing capabilities. A dedicated medical gases sales team has been introduced and will provide national coverage of medical customers.


In addition to the supply of medical gases, such as medical oxygen, nitrous oxide and medical grade carbon dioxide, the medical gases division handles gas storage and reticulation, compressors and compressed air systems, vacuum pumps and vacuum systems up to the wall points in hospital wards. Medical gases will concentrate on the clinical management of medical products and on extending the product and service offering. During the year a gas facilities management offer was developed, which is now being piloted at two affiliate hospitals.

Afrox has placed increased emphasis on the conditions under which medical products are filled, and on the facilities at hospitals. During the year all the hospitals serviced by Afrox were assessed and are being upgraded to bring the gas reticulation to world-class standards, ensuring optimum reliability of the life supporting products.

A drive to improve the quality of medical gas cylinders was started and is part of an overall plan to focus on the company's capabilities as a pharmaceutical product supplier to hospitals and the medical profession.

Medispeed is the specialised home oxygen therapy/respiratory supplier providing oxygen cylinders, concentrators and accessories for home use to long term oxygen therapy patients. The business unit continued to grow during the year. The acquisition of Country and Coastal Medical Services (Pty) Ltd strengthened the company's position in the Northern Province and Eastern Cape, and growth necessitated a move to larger premises in Meadowdale. A new range of medical oxygen concentrators was introduced, offering significant benefits and reliability to patients.

HOSPITALITY

Market growth has continued in the hospitality business. This division services pubs, clubs, hotels and restaurants. It supplies Handigas for cooking, and Suremix, a range of carbon dioxide and nitrogen gas mixtures, for soft drinks and for dispensing draught beer, as well as helium for balloons and blimps.

Other gas applications in food retailing are proving successful although volumes are small. The trend for people to buy instant, pre-cooked dinners has been a high growth area, and gas extends the shelf life of fresh foods, ripens fruit, and preserves fruit juices. Further service based product offers are being evaluated to demonstrate the company's commitment to this market.

A new business is currently being established, servicing the cleaning industry with the provision of ozone to meet the requirements of this market. Afrox's trademark Zonemix system is now available and strong growth is expected in this segment.

AFROXPAC

The new second generation model AfroxPac, the AfroxPac 35 self-contained self-rescuer manufactured by Afrox, is a benchmark, escape type unit, supplying life-sustaining oxygen to miners in the event of an emergency, such as an underground fire or explosion.

Marketing of the AfroxPac has been very successful. There are approximately 250 000 underground mineworkers in South Africa and Afrox has a substantial market share (more than 50 percent) of those equipped with self-rescuers. Orders have been received from coal, diamond, gold, platinum, chrome and zinc mines. AfroxPacs have been exported to Ireland, South America and the South Pacific region with encouraging results.

At present Afrox is the only manufacturer of self-contained self-rescuers that complies with SABS 1737. The AfroxPac 35, best in class and a benchmark for the industry, has been submitted for EU approval (EN401). Some of the mining houses have standardised on the use of the AfroxPac 35, and the demand has been so great that the manufacturing facilities have moved to larger premises in Benoni.

There are export opportunities to Australia, the Far East and South America, and, as soon as EU approval is obtained, the company will export to the European market.

AFRICA OPERATIONS

Afrox has expanded its presence into 13 African countries and sells product to another four. The Kenyan, Nigerian and Zimbabwean businesses are owned by The BOC Group but are managed by Afrox as part of a single African business unit.

The Africa operations performed well with a 49 percent increase in operating profit.

In Zambia, a bulk LPG installation has been completed and new contracts were signed in Ndola. The chairman's award for one year without any lost time injuries was presented to the Zambian operation.

In northern Tanzania there is a mining boom with Ghanaian, Australian and South African companies at the fore. To capitalise on this, Afrox established a depot at Geita in the heart of the gold mining zone, which is operated from Nairobi, Kenya.

In Nigeria Afrox supplied pure argon for the first time and also successfully launched Vitemax electrodes.

The Ugandan sugar mills are a new market for the company's CR 70, a specialised hard facing welding electrode.

Botswana had a good year with steady growth in excess of inflation. Botswana is the fastest growing economy in Africa and over the past few years, profits have more than doubled.

Process Gas Solutions

Process Gas Solutions (PGS) performed well on the back of a stronger South African economy, good tonnage growth and generally increased activity. At the same time, costs were well contained, adding to excellent results produced by this line of business.

A concerted marketing effort, particularly in the mining and metallurgy sector, produced volume growth while new applications for gases resulted in increased sales. Demand for liquid oxygen and liquid nitrogen as well as growth in carbon dioxide boosted tonnage. Over the past year, too, an upturn in steel exports has resulted in increased sales to steel producers.

Afrox has restructured the PGS line of business, focusing on key customer management, merchant and on-site sales. The restructure will contain costs, increase efficiencies and grow the business. The company also has the advantage of tapping into international knowledge bases through The BOC Group's research laboratories without incurring large costs.

In March, Afrox commissioned a PSA plant at Anglo American's Sadiola Hill gold mine in Mali. The plant is supplying 20 tons per day of oxygen used in Afrox's gold leaching (Goldox) process. This was a turnkey project for PGS from the design and transportation to the final commissioning, with the company providing the technical, operational and logistical capability to ensure the success of the oxygen plant.

> **"Afrox's hydrogen plants produce the purest hydrogen in the country at 99,9999 percent pure."**

A gas liquid injection plant (GLIP) was recently commissioned at Mondi, Richards Bay and Afrox is supplying approximately 36 tons per day of bulk oxygen to a new delignification plant used in the water treatment and pulp bleaching process. The use of oxygen is an environment friendly process and replaces the traditional method of using chlorine.

During 2002 large orders were obtained for the installation of pipelines and mechanical equipment, and this side of the business has improved markedly over the previous year with a concomitant increase in supply of bulk gases.

Co-ordinating bulk supplies of gases is a logistical challenge that has been successfully resolved with the bulk distribution scheduling system introduced three years ago. Gas is transported from supply points in Pretoria, Wadeville, Cape Town, Mossel Bay and Pietermaritzburg for distribution around the country. Scheduling is done by an integrated logistics planning system using forecasting techniques, geographical positioning and telemetry, ensuring that Afrox can forecast customers' demands and supply them timeously.

As a leading supplier of hydrogen to the local market, the company has recently commissioned the world's largest compressed hydrogen gas trailer for road transport. The super-jumbo hydrogen trailer transports the largest gaseous payload on wheels worldwide and, with a full payload, the truck-tractor and trailer weigh in at 47 tons with a vehicle length of almost 17 metres.

Growing demand for hydrogen, and the fact that hydrogen is very much the fuel of the future, prompted the company to acquire a hydrogen plant at Pelindaba and to commission another in Gauteng. These plants can produce the purest hydrogen in the country. Hydrogen is cost effective, environment friendly, and more power efficient than fossil fuels. It is used extensively in the production of fibreoptics, float glass, oils and margarines, and for heat treatment of certain metals.

Key customer application opportunities for the use of carbon dioxide and oxygen exist in many areas including pulp and paper, food, minerals, glass and environmental market sectors, as well as in the potable and industrial water treatment markets where gases are used to reverse water pollution.

Process Gas Solutions executive team, front: Craig Falconer, the business unit head for Africa. From the left: Martin Slabber (tonnage), Sugen Moodley (major customers), Dave Smith (product marketing), Dusty Riley (production), Jan Campher (distribution), Stephen du Plessis (merchant sales), Ashley Soupen (human resources), Jan du Plessis (finance) and Carlos dos Santos (engineering services).

The worlds largest compressed hydrogen gas trailer, which was made in the United States. With a full payload, the super- jumbo trailer weighs 47 tons and its length is nearly 17 metres. The demand for hydrogen is growing as it delivers greater power efficiency than fossil fuels. It is cost effective and environment friendly.

The new R30 million cardiac unit at the Eugene Marais Hospital, Pretoria. The unit consists of a high technology cathlab, two cardio thoracic theatres, six-bed medical and six-bed surgical intensive care units, a six-bed high-care unit and a 12-bed ward.

Healthcare

Once again, Healthcare introduced several new initiatives. These were designed to increase efficiencies, customer service, and market share.

This year's excellent results from the Healthcare business indicates that the company has the flexibility, innovation, correct strategies and appropriate people to meet the needs of a fast changing healthcare environment.

Afrox Healthcare's performance is due to the fact that it strives constantly to be best in class while emphasising core values of accountability, collaboration, transparency and stretch. Operational excellence, a focus on delivering quality patient care, and a customer-centred approach in all the healthcare services operations, have laid the foundation for continued strong future growth.

The affordability of healthcare in both public and private sectors has become a major issue in South Africa. Afrox Healthcare has the reputation for being one of the lowest-cost providers in the private healthcare industry.

The sustainability of both sectors will depend on their ability to reduce input costs, however, while increasing access to more South Africans.

A commitment to minimising costs has seen the company engage with all medical suppliers in an effort to reduce the impact of price increases. A reimbursement exercise to share the risk between funders and the hospitals is planned, as is a delivery model where assets can be more productively used in providing quality healthcare at affordable prices.

Afrox Healthcare managers' experience in handling acquisitions and mergers ensured the swift integration of the four Amahosp hospitals, as well as Wilgers, Queenstown and St Mark's. The employees have settled and Afrox Healthcare processes, systems and procedures are being implemented.

Organic and acquisition growth has been complemented by a focus on maximising efficiencies. Over a two-year period, some of the smaller sameday surgical centres have been incorporated into mainstream hospitals, and are situated in close proximity to them. Consolidations of these units have realised synergy benefits and reduced costs.

A business restructure has considerably streamlined Healthcare. The hospitals have been divided into regions headed by regional managers who report either to the coastal general manager or to the inland one. The healthcare services business reports to a third general manager. A re-engineering of the finance and administration function and reporting structures has increased the professional service offering and has also helped to contain costs.

HOSPITALS

Afrox Healthcare's primary business is acute care hospitals and the company has 63 owned and managed hospitals, and sameday facilities. An interest in a further nine hospitals brings the total to 72 hospitals with 7 576 beds, 300 operating theatres, 43 emergency units, three rehabilitation units, eight cardiac and seven oncology centres.

The hospital division recorded strong growth in turnover. The market nevertheless remains relatively flat and the new affordable healthcare delivery model should help improve access to more South Africans who are currently employed but uninsured.

Over the past two years Afrox Healthcare has pursued a strategy of seeking appropriate acquisitions and increasing equity in hospitals where minorities are held or where the company does not hold a majority. This year the company increased its 20 percent stake in Amalgamated Hospitals Limited (Amahosp) by acquiring the balance of the Amahosp shares. The Amahosp group comprised the Chatsmed Garden, The Crompton, Mount Edgecombe and Westville hospitals totalling 700 beds. The acquisition of these hospitals, when added to the facilities at Entabeni Hospital and Empangeni Garden Clinic, add to Afrox Healthcare's presence in KwaZulu-Natal, increasing to 26 percent its share of the private hospital market in the province.

The shareholding in the 341-bed Wilgers Hospital in Pretoria was increased from 67,5 percent to 75 percent, and the Cosmos Hospital in Witbank shareholding increased from 43 percent to 96 percent.

In East London, St Mark's Clinic was acquired. This is a 36-bed psychiatric clinic for short term and day patients. A 30-bed hospital in Queenstown was also purchased and will act as a referral point for high technology procedures at the company's hospitals in East London.

In these hospitals centralised management of pharmaceutical and hospital equipment procurement, and patient care and nurse-training initiatives will lead to efficiencies and cost benefits that should save approximately R10 million within the next two years.

Several building initiatives were undertaken to upgrade and increase capacity within the hospitals.

INLAND REGION

A new R30 million cardiac unit opened at the Eugene Marais Hospital offering a comprehensive cardiac service to patients who had previously by-passed the hospital. The unit consists of a cardiac catheterisation laboratory, two cardio-thoracic theatres, medical and surgical intensive care and high care units, and a cardiac ward.

The Bedford Gardens Hospital's R26 million expansion from 77 beds to 140 beds was completed in March. Extensions included an intensive care unit, a trauma unit, paediatric and maternity sections, and a new medical ward.

Following the success of the rehabilitation units at Riverfield Lodge and New Kensington, the building of a third rehabilitation centre was completed at Pasteur Hospital in Bloemfontein. Opportunities exist to establish more rehabilitation units at selected hospitals.

Seated, left to right: Steve Taylor (coastal hospitals), Michael Flemming (managing director), Helene Clement (healthcare services), Zith Mahaye (public affairs and transformation). Standing: Brian Davidson (strategy and development), Cor van Zyl (finance), Dena van den Bergh (healthcare functions), Colin Davidson (information management), Peter Scott (human resources), Rodney Hull (funders), and Chris Redfern (inland hospitals).

An R11 million upgrade and extensions are under construction at Springs Parklands Clinic. A new maternity wing with neonatal intensive care unit was completed at the Anncron Clinic, and a bone marrow transplant unit, the second of its kind in the country, and a new oncology ward were added to the Flora Clinic.

A R30 million re-engineering and upgrade exercise to include neurosurgery and new administration offices is planned at Rosepark in Bloemfontein. The building will be completed in three phases over the next three years.

COASTAL REGION

A vascular theatre suite with a digital vascular C-arm was opened at Kingsbury Hospital. This is a first for South Africa and there are few vascular facilities in the world that can equal this super-specialised centre of excellence.

In KwaZulu-Natal, expansions are under way at Empangeni Garden Clinic. A R14 million upgrade and refurbishment at St Dominic's will provide a level 1 trauma unit, a neonatal intensive care unit and nursery, and labour and gynaecological wards. At St Mary's Hospital, Umtata, extensions and an upgrade include a new surgical ward and theatre.

HEALTHCARE SERVICES

The Healthcare services sector produced sound results in extremely difficult trading conditions. Nevertheless, as the consolidation of ownership of hospitals within the private healthcare industry continues, Healthcare services provide exciting opportunities for future growth.

Lifecare special health services' results were good. It is the largest private-public partnership in South Africa. Lifecare has 22 long-stay chronic care hospitals and two acute care hospitals, which accommodate 9 500 long term chronic TB, psychiatric, and frail patients each day. The integration of certain aspects of Lifecare with Afrox Healthcare will take place during 2003 in order to maximise synergy benefits and eliminate certain duplication of services.

> **"During the year Afrox Healthcare acquired six hospitals. Post year-end, the Competition Commission approved the company's purchase of a further 50 percent equity in The Little Company of Mary Hospital, bringing its holding to 75 percent."**

Direct Medicines is a logistic pharmaceutical service company contracted with medical schemes and providing door-to-door delivery of chronic medication to members at discount prices. The supply of over 1,8 million prescriptions is managed annually through Direct Medicines' contracted dispensaries. In 2002, medical schemes reduced their chronic medicine benefits with the result that many chronic sufferers were compelled to forego medication. New packages are being developed to allow individual patients easier access to the product offering.

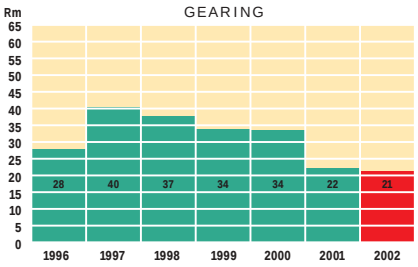
Afrohc, the primary and occupational business, increased margins and extended its customer base with new contracts. It now services 150 customer owned clinics supplying on-site occupational and primary healthcare services contracted to commerce, industry, and the mining sector. Afrohc has become a conduit for companies and employees wishing to make use of other healthcare facilities, and its services will form an important component in the affordable healthcare product currently being developed. Its performance this year was excellent.

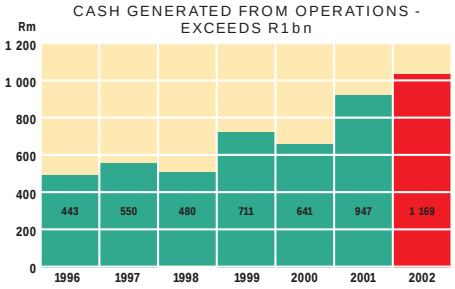
eHealth is a relative newcomer to the company. During the year, on-line authorisations, claims, and adjudication capabilities were implemented at all hospitals for Discovery Health, with resultant reductions in working capital and streamlining of claims procedures. This unique product will be expanded significantly throughout the medical service providers in South Africa.

Nurses and their skills at all levels are now a point of major concern as many leave the country. There are not enough nurses being trained to meet the demands of the industry. To help counter this situation Afrox has its own training college and a strategy to attract nurses back from overseas.

The Afrox College of Nursing, in partnership with the University of Port Elizabeth, is the largest private nursing training institution in South Africa and has seven learning centres nationwide. Outcomes-based learning forms the basis of in-hospital training and competency assessment, while the Afrox College of Nursing's general and specialist accredited diploma courses ensure enhanced levels of nursing service.

ER24, an Afrox Healthcare joint venture 24-hour emergency services operation, has been expanded and, during the year, several ambulance companies have been acquired. This service enhances the quality of the composite healthcare delivery model offered at the hospitals while securing the primary patient referral base.





Financial review

Continued focus on profitability and asset management has resulted in cash generated from operations increasing by 23 percent to R1,168 billion.

Revenue increased by 24 percent to R6,512 billion (2001: R5,239 billion). This growth was characterised by good volume increases across the board within the Industrial and Special Products (ISP) and Process Gas Solutions (PGS) businesses. There was also a marked increase in welding exports and good revenue generation from the recently launched AfroxPac 35.

Healthcare grew organically, particularly from specific projects at existing hospital facilities, as well as from the acquisition of the four hospitals in the Amahosp group, and the Wilgers and Queenstown hospitals.

Operating profits increased by 29 percent to R896 million (2001: R694 million). There was strong recovery in Handigas margins, and operating efficiencies supported improved margins for both ISP and PGS.

Within Healthcare, acquisition integration benefits delivered better than originally forecast in terms of revenue generation and cost improvement, and there were efficiency improvements in the development of a new procurement model and the regionalising of enabling functions, namely finance.

An exceptional loss of R15 million (R2001: a R24 million profit) resulted mainly from the carrying loss incurred when Real Africa Holdings exercised its option to acquire a further 12 percent of Afrox Healthcare Limited from African Oxygen Limited.

Finance costs increased by 8 percent to R157 million (2001: R146 million). Good profitability and working capital management resulted in lower borrowings, which compensated for the effect of interest rates rising by 400 basis points during the year.

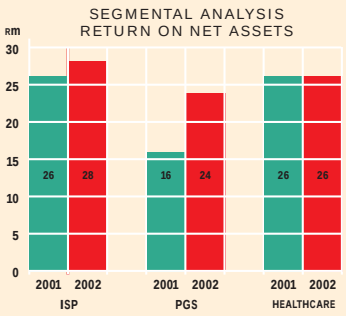
The tax charge increased to R244 million (2001: R182 million) leading to an effective tax rate of 32 percent (2001: 30 percent). Ongoing benefits were realised through the utilisation of assessed losses within the Healthcare business in particular. The increase in rate over the previous year related to the inclusion of exempt income of R48 million arising from the disposal of certain assets in the 2001.

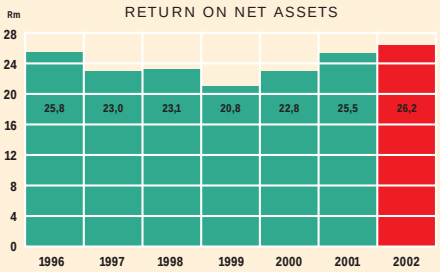
The increase in minority interests to R117 million (2001: R90 million) was largely attributable to African Oxygen Limited reducing its shareholding in Afrox Healthcare Limited from 82 percent to 70 percent as a result of Real Africa Limited exercising its 12 percent options in Afrox Healthcare.

Headline earnings increased by 35 percent to R407 million (2001: R302 million), while net profit for the year increased by 18 percent to R390 million (2001: R330 million).

Andries van den Heever, the group reporting manager and Helen Latham, the group reporting specialist, checking year-end figures.

Afrox's financial services centre.





In line with the policy of dividends being twice covered by headline earnings, the overall dividend of 62.5 cents per share (2001: 52.0 cents per share) was 20 percent higher than the previous year.

BALANCE SHEET AND CASH FLOW

Non-current assets increased to R2,989 billion (2001: R2,435 billion) reflecting the overall increased spend on capex and acquisitions of R608 million (2001: R289 million).

Current assets increased by 15 percent to R1,662 billion (2001: R1,443 billion), which was due to tight asset management around stock and debtors.

Cash generated from operations achieved a record R1,17 billion (2001: R947 million). This represents an 82 percent increase over the cash generated in 2000 of R641 million. Good operating profits and excellent working capital management contributed to this very favourable result. The extra cash generated in this way was used to finance acquisitions and capital expenditure of R608 million and to improve gearing to 21 percent (2001: 22 percent).

ACCOUNTING POLICIES

There were two accounting policy changes in the current financial year, namely freehold buildings depreciation in accordance with AC135, and post retirement medical aid in accordance with AC116.

The details of these changes and their impact on net profit for the current and previous financial years are as follows:

- Freehold buildings depreciation

During the year the company changed its accounting policy with respect to the depreciation of freehold buildings. freehold buildings were not previously depreciated. As from 1 October 2001, freehold buildings have been depreciated, in accordance with AC123 property, plant and equipment, and AC135 investment property. According to AC135, the company's freehold buildings do not fall within the definition of investment properties and therefore must be depreciated.

The decrease in net profit for the year arising from this change was R22,0 million (2001: R16,7 million).

- Post-retirement medical aid

During the year, to comply with AC116, the company changed its accounting policy with respect to the treatment of post-retirement medical aid liabilities. In the past, the increase or decrease from one year to the next in the liability for in-service members was accounted for by spreading it over the expected working lives of the eligible employees. As from 1 October 2001, the company has provided for the full accrued liability as per the actuarial valuation.

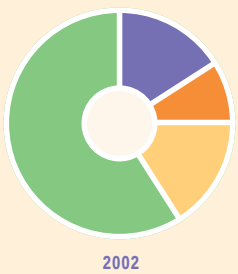
The decrease in net profit for the year arising from this change was R14,5 million (2001: R17,1 million).

VALUE ADDED STATEMENT

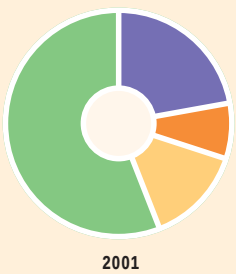
This statement is a measure of the wealth created by Afrox through its various business activities. The statement and chart show the total wealth created and how it was distributed.

	2002 R'000	%	2001 R'000	%
VALUE CREATED				
Revenue	6 511 510		5 239 374	
Cost of goods and services	(3 659 010)		(3 056 106)	
	2 852 500		2 183 268	
Income from investments	21 913		49 539	
Value added	2 874 413		2 232 807	
VALUE DISTRIBUTED AND RETAINED				
Employees				
Salaries and benefits	1 709 796	59	1 263 115	56
Providers of capital	459 496	16	302 312	14
Finance costs	157 275	6	146 233	7
Minority interest	117 040	4	90 294	4
Ordinary dividend	185 181	6	65 785	3
Taxation	244 018	9	181 559	8
Reinvested in group activities	461 103	16	485 821	22
Depreciation	256 035	9	221 434	10
Future growth	205 068	7	264 387	12
	2 874 413	100	2 232 807	100

VALUE DISTRIBUTED AND RETAINED



2002		2001
16%	Reinvested	22%
9%	Taxation	8%
16%	Providers of capital	14%
59%	Employees	56%
100%		100%



Ann Rasenatsa, unit manager of the neo-natal intensive care unit at Bedford Gardens Hospital. Healthcare has some 14 000 employees.

People review

Afrox's 75 years of successful operation bear testimony to the important contribution made by people of quality who have worked, and continue to work for the company.

One of the larger employers in South Africa, Afrox has a staff complement of some 17 000. Of these, approximately 3 000 are employed in the gas and welding business, while Afrox Healthcare, a more people-intensive service business, accounts for 14 000.

A centralised human resources division that is operationally aligned to its parent, The BOC Group, provides professional HR services and maintains an equitable and non-discriminatory culture within the company. Senior human resource managers and field specialists have an in-depth knowledge of the business and ensure that human resource strategy is synchronised with business strategy. Afrox supports the 'line manager model' where managers are, in a sense, also their own HR managers, as their primary responsibility is the management and development of their own staff.

Advanced technology and progressive systems deliver a service that contributes to the development, commitment and performance of employees. A centralised call centre handles routine queries and fields some 4 000 calls a month from employees, enabling line managers to focus on the core business.

A continuous people review and succession planning process addresses people planning and potential. Employees showing leadership qualities are identified and mentored, and succession planning ensures that sustainable quality management is available to take the company forward.

Afrox is committed to the development of employees and provides job-related learning materials and competency assessments. Learning modules have been created for most of the learning areas in Afrox, focusing on tasks in which safety is particularly important. From one area of the business with a potential of 1 343 learners, 872 have been inducted on the learning system. As part of a 'license to work' initiative, it is expected that 100 percent of employees will be on the learning system by the next review period. This programme has been launched to enhance the competency levels of the workforce. Particular effort has also been devoted to training the customer service centre employees, so as to provide quality customer service and in-depth knowledge of the range of products.

Nurse education and training, both on the job and through the Afrox College of Nursing, with its seven learning centres, is a continuous process designed to stimulate employees and meet the demand for skilled personnel. Accredited diploma courses are offered in partnership with the University of Port Elizabeth.

Afrox trains and develops staff to equip them with the relevant competencies required to perform their duties, and the company encourages employees to sustain productivity and commitment. Initiatives such as focused recruitment, workplace equity plans, performance development, succession planning, and competitive compensation and benefits are in place. A number of retention criteria have been implemented to ensure that the hospitals continue to offer excellent nursing services.

The current drain on specialised and experienced nursing skills continues, nevertheless, to beleaguer the industry. Afrox's nursing staff is known for its excellence, but salaries offered overseas are extremely attractive when seen in rand terms. Statistics show that 'overseas opportunities' now make up 18,4 percent of the reasons cited for resignations.

During the past year, some 50 managers from both the industrial and healthcare business units attended an executive development programme developed by Afrox in conjunction with a leading business school. The managers were exposed to the latest thinking in financial, operational, marketing and change management areas and worked for 100 days in multi-skilled teams on projects pertinent to the company's business. Individual assessments preceded the programme and, on its completion, were again conducted. The quality of project work accomplished by these managers has taken leadership development further, and engendered in them an entrepreneurial approach to the problems that confront business globally.

To retain world-class talented management, Afrox selects senior managers to participate in the Afrox variable compensation plan, which delivers incentives based on the achievement of specific contracted targets. Managers are typically rewarded for financial performance and for their personal, mostly non-financial, performance.

In order to instill in employees a sense of pride in the company, all staff benefit from either a share appreciation rights scheme, or the Afrox Healthcare share option scheme, in terms of the specific rules relating to pay and length of service that have been approved by the board.

Every two years an internal survey is conducted to measure employee levels of commitment and satisfaction and to identify areas requiring improvement. Feedback from the latest survey was largely positive, with employees acknowledging the stimulation and challenge from participating in a global group that espouses best operating practices.

Afrox is sincere in its aim to expand the wealth of untapped potential existing in the company, and it is a challenge to channel skilled staff into avenues that will satisfy their changing career needs.

Patient with nurse Annalize Schouten at the Bedford Gardens.

Clifford Dlewayo connecting hydrogen industrial grade cylinders at Germiston. The gases and welding business employs around 3 000 people.

New managerial appointees add strength to the company's drive for employment equity. They are: Karabo Mothibi who has the new position of equity HR manager, and Mbulelo Qodashe, HR manager, Africa.

Employment equity and affirmative action

Afrox holds the view that, to sustain our business performance into the future, the profile of the company's employees at all levels should eventually reflect the demographics of the country.

To this end, the development of managers, and particularly black managers, is vital. Employment equity and affirmative action are viewed as business imperatives, merely guided by legislation. The company is committed to redressing the inequities of the past; to the identification and development of talented previously disadvantaged individuals; and ultimately, to ensuring that our management levels are more representative of the South African population at large.

The company's employment equity and affirmative action policy is acknowledged and understood by all. Objectives form part of our performance management process, and are cascaded throughout the business. Line managers and consultative forums have guidelines to implement employment equity and affirmative action measures. Consultative forums and affirmative action sub-committees co-operate with management on issues pertaining to employment equity, and goals are established at business unit level. Accountability for human resource practices, and in particular employment equity and affirmative action, is monitored and measured.

The company believes that, to tackle and succeed in its employment equity objectives, the task is both multi-faceted and urgent. Accordingly a variety of strategies have been adopted, covering appointment to senior management posts, recruitment of exceptional talent into the middle management ranks, a graduate development programme which brings young people of talent into the business annually, a bursar scheme to tertiary education institutions, as well as the identification and development of extant talent within the business. The company has a well developed and comprehensive hierarchy of management and skills training programmes, including Lead (designed for those with top management potential and offered globally in conjunction with Columbia Business School), and LDA (leadership development in Afrox, offered to rising middle and senior managers in conjunction with Wits Business School).

The workforce profile is reviewed monthly, and actions agreed for improved progress towards affirmative action goals.

Individual executives are measured against these targets as part of their performance contracts. Monthly meetings are held to review and ratify all senior management appointments, promotions, terminations and vacancies, and to assess progress against affirmative action goals and talent retention strategies. Where designated groups are underrepresented, equity plans are formulated and targets set. Individual development plans are agreed to enhance skills and job competencies.

In the recruitment of middle and senior managers, the resourcing function aims to have at least 50 percent of interviewees from designated groups with the emphasis on black applicants. The company has two senior general managers from designated groups, and 67 percent of all managers are now from designated groups.

A global recruitment campaign, conducted late last year, identified exceptional candidates and, of these, eight senior appointments were made of which 87 percent are from designated groups. A black HR equity manager has been appointed to facilitate transformation and this has the support of the full executive. He has a direct line of communication to the chief executive.

An analysis of exit interviews indicated the need for increased focus on growth and career development. A talent retention strategy was adopted that encompasses succession planning, performance and career management. High worth affirmative candidates are identified and placed on an accelerated development plan as part of a focused career path for identified employees. Currently 76 of these candidates have been identified and are receiving specific mentoring and development, through individual programmes.

To support the company's upliftment strategy, education at all levels is encouraged. Afrox offers financial assistance for several educational schemes including a tied bursary scheme and an employee bursary scheme. Of 12 external bursars currently receiving financial support for education, all but one are from designated groups. Any further bursaries granted will be given to deserving black students.

A graduate development scheme was re-introduced in January 2002 with the aim of assisting new graduates to develop the knowledge and skills required to facilitate their integration into the Afrox culture and values, and raise their profile as a group of talented young professionals. Thirteen graduates, all but one from the designated groups, are currently participating from the disciplines of engineering, information management and finance. A review panel monitors the progress of the graduate development scheme on an ongoing basis.

Afrox has undertaken to employ and develop talented, previously disadvantaged individuals. The company is committed to help them harness their potential in the development of their careers, and to become valued and contributing members of the company and the economy as a whole.

Employment equity and affirmative action are receiving increasing emphasis in Afrox and the recent steps taken to recognise and encourage employees will provide a firm foundation on which to expand an even more systematic and effective development programme.

> **"The workforce profile is reviewed monthly, and actions agreed for improved progress towards affirmative action goals."**

Afrox does not take its right to trade freely in South Africa for granted, and is committed to transforming itself and its people to be as much a part of the new South Africa as it was of the old.

The year 2002 marks Afrox's 75th year in business. To celebrate the occasion, the company held functions throughout the country for its employees, who received special 75th anniversary wrist watches. In addition it was decided to donate R1,5 million to the 115 childcare organisations and some 8 000 children adopted by Afrox under its community involvement process.

Corporate social investment

As a large corporation with operations in 16 African countries, Afrox has a strong culture of social responsibility.

The company's objective is to assist wisely and constructively by building its people and its projects, thereby making a sustainable difference to society. This approach places as much emphasis on ensuring that projects have the requisite skills to function well as on the disbursement of money.

Corporate social investment has always been part of Afrox's business ethos. For decades the company has given educational grants to universities and technikons, and, more recently, supported a welding school in KwaZulu-Natal. In addition the company has provided bursaries for engineering students. Afrox's commitment to education is not directed solely at outside institutions. Its internal programme covers the range from the education of executives to that of the employees' children.

Eight years ago, Afrox launched a community involvement process (CIP) that was designed to reflect the spirit of the new South Africa. It is an innovative and effective way of building stronger and self-sustaining communities, and the concept is based on consultation, empowerment and partnerships.

Employees at all branches and hospitals are empowered by the company to consult with community leaders in selecting a project. Once it has been chosen, Afrox employees work on an ongoing basis directly with the organisation, mainly with disadvantaged children, forging a link that will bind groups together in a better society.

Each year, Afrox donates R10 000 per home but this monetary donation is not viewed as the major part of the process. It is the time liberally given by employees in raising money, painting facilities, and in a general way supplying some of the needs of the institutions they 'adopt' that makes the project successful.

On one day a year, normally Spring Day, all branches, hospitals, and other units of Afrox join with the children and the homes they support in Bumbanani Day - 'lets build together'. This programme has extended beyond the borders of South Africa, and this year employees in Afrox's companies and associates joined our programme in Swaziland, Mozambique, Botswana, Namibia, Malawi, Zambia and Kenya.

Gerhardt Schnackenberg, regional manager Afrox Port Elizabeth, hands over presents to Gertrude Galela, a volunteer at Masikhulisane Youth Development Club.

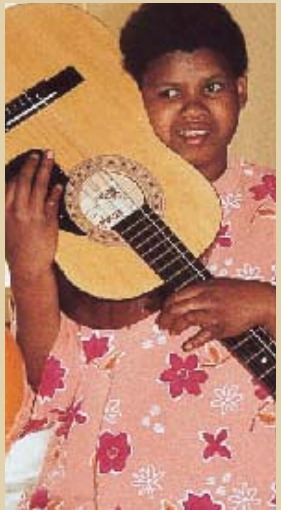
In 2002 the programme supported 115 ongoing projects and 8 000 children. In this, Afrox's 75th anniversary year, the company made R1,5 million available so that the homes could buy gifts for the children. These ranged from bicycles to television sets, computers, and in one case, a swimming pool.

Afrox is committed to developing the economy by enhancing economic capacity in the communities. This is achieved through identifying and developing black entrepreneurial talent. The company's empowerment policy encompasses small, medium and micro-sized (SMME) businesses from previously disadvantaged communities in South Africa, as well as large affirmative business enterprises (ABEs). All Afrox operations actively support SMMEs in South Africa.

Afrox is actively pursuing an affirmative procurement initiative. During 2002, R204 million was spent on preferential procurement with SMMEs and ABEs. This spend has increased year on year and is expected to grow substantially in the years to come as more SMMEs are appointed. A prompt payment system is put into place to ensure that the supplier receives part payment timeously to be able to render the service. Micro, small, women owned, previously disadvantaged and black businesses are defined in terms of an official policy document prepared by Afrox, as are the implementation and adjudication criteria. In addition, a register of affirmative action suppliers has been developed, and it is regularly maintained and reviewed. Some of the services rendered include transport, cylinder distribution, cleaning, laundry, catering, gardening, security, waste removal, printing and the provision of paper products.

Afrox has created jobs and wealth for a few thousand previously disadvantaged individuals and a livelihood for their extended families, especially through its Handigas distributor development programme. The company has, for example, set up over 3 000 Handigas dealerships, 2 000 of which are owned and operated by black entrepreneurs. Some of these black owned Handigas distributors have now grown their operations into businesses turning over millions of rands a year.

The underlying objectives of the Handigas distributorships are to promote partnerships with SMMEs, to create job opportunities, to broaden the level of economic participation, to provide equipment for decanting purposes, to assist distributors in acquiring trucks and to help in the acquisition of new markets.



The Durbanville Children's Home asked Afrohc for musical instruments for their therapeutic playroom, which was set up Afrox's Western Cape operation.

Taoko Mabuza, from the Bonginhlanhla Stimulation Centre for mentally handicapped and physically disabled children, situated in Middelburg, receives two 4-plate stoves and a deep freeze from Amos Mtsweni, chairperson of the Mpumalanga gas producing plant's CIP committee.

Given the wealth of healthcare skills in the company, part of Afrox's external outreach aims to address the healthcare needs of the communities in which its hospitals are situated and to make healthcare more accessible to the disadvantaged.

Some of the Afrox hospitals provide a special outreach in the form of rape crisis centres.

Medical examinations are conducted in a non-threatening environment with the emphasis placed on maintaining the dignity of the victim. Preventive medication is given for the contraction of sexually transmitted diseases, and antiretroviral drugs are also provided. At Roseacres Clinic, for example, the rape crisis centre works in co-operation with Kidz Clinic in Boksburg and the Child Protection Unit to provide 24-hour availability for examining child victims.

Afrox is a platinum sponsor of the National Sea Rescue Institute (NSRI) and has committed employees to educating the community, and children in particular, about water safety.

Afrox Healthcare is the gold sponsor of the Heart Foundation and the hospitals with cardiac units were involved nationally in educating the public on heart health.

Safety, health, environment and quality

To Afrox the safety of its products, its employees, its customers and all its other stakeholders is a vital aspect of its business.

The Safety, Health & Environment Award. This is a new annual award presented to the most improved branch.

Safety, health, environment, and quality (SHEQ) remain a stand-alone agenda item for all executive management meetings, which signifies its importance to the company. A drive to halve Afrox's accident rate by October 2006 was launched by executive management early in 2002. Afrox's disabling injury rate of 0,17 percent is considerably lower than the 0,5 percent world industry average and the 2,5 percent national average, owing to initiatives introduced over the past few years that have improved overall SHEQ performance. The operations in Nairobi have completed two million man hours without a single disabling injury.

Afrox's five-year programme will focus on 'near miss' and less serious events, currently in the majority, to encourage a culture of safety and quality and to improve on the world-class average of 0,25 percent. By championing the principles of accountability, collaboration, transparency and stretch (ACTS), behavioural patterns of all employees have shown positive change. An annual recognition and reward programme encourages all sites to implement SHEQ and to improve through self-evaluation.

Through roadshows, videos, a safety booklet and questionnaires, the company encourages employees to identify with SHEQ performance. There is a renewed focus on driver safety programmes, and most managers have participated in the BOC SHEQ interactive learning programme.

SAFETY

Afrox's safety achievements during 2002 have been most encouraging with a 61 percent improvement in the lost workday case rate, while the total recordable case rate was 52 percent better than 2001. The passenger car avoidable accident rate and truck avoidable accident rate decreased by 53 percent and 50 percent respectively, and there were no fatal incidents.

Internal and external safety audits confirm that Afrox's commitment to safety is achieving results. The National Occupational Safety Association (NOSA) is primarily concerned with the effective management of risk and it focuses on work environment and housekeeping, mechanical, electrical and personal safeguarding, managing fire and other emergency risks, incident recording and investigation, and organisational management. In NOSA's audit, Afrox's head office achieved a score of 94,5 percent, and central, northern and southern regions were awarded NOSA 5-star ratings. The gas equipment factory retained its 5-star rating.

Market development manager, Roberto Dionisio and product design manager, Walter Trevisan are two of the key gas equipment employees responsible for Afrox's best in class gas welding equipment range for global markets. Here, they discuss the development of a new technically sophisticated medical regulator that will carry the 'proudly made in South Africa' slogan. It will be marketed globally under the BOC brand in 2003.

> **"The Afrox smart supply chain management project was entered into this year's prestigious Logistics Achievers Awards and was awarded first place in the category: World Class Supply Chain Integration."**

NOSA GRADING STATUS

A safety management evaluation carried out by DuPont, world leaders in safety theory and practice, attributed Afrox's exceptional safety levels to the programmes implemented and to the general employee commitment to safety. Management and employee collaboration and a behavioural safety programme piloted in the Western Cape confirmed the sustainability of Afrox's safety performance at a world-class level.

Afrox conducts regular inspections and engineering audits based on BOC's global standards, which allow for the technical complexities particular to the industry.

Safety through the empowerment of people (STEP), an interactive behavioural safety programme, is showing excellent results at the pilot site. There have been no lost workday injuries during the year, compared with four in the previous year. It is now being rolled out throughout Afrox and its Africa operations

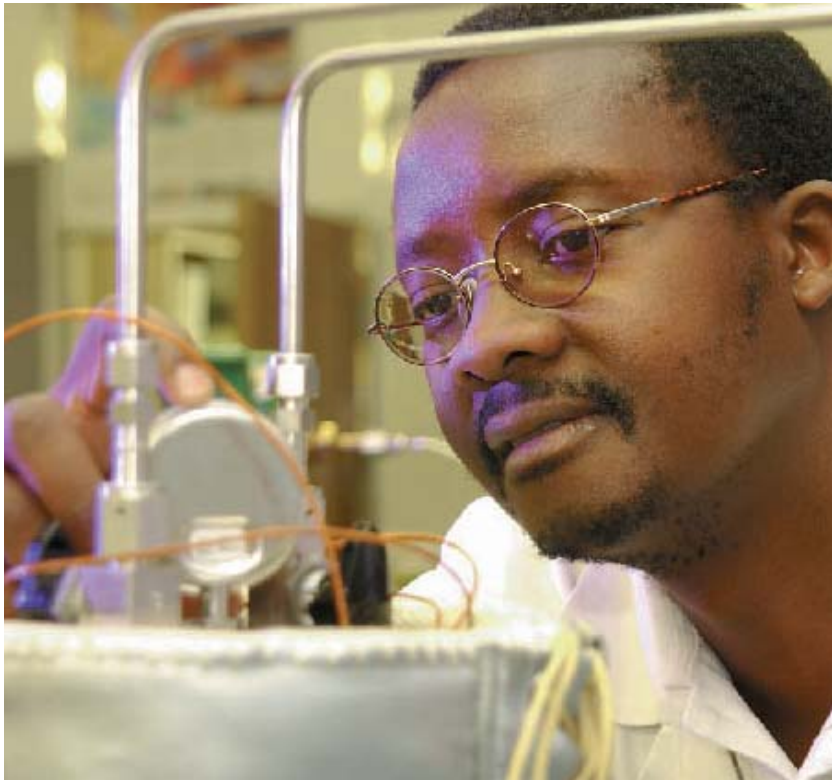
TRANSPORT SAFETY

Afrox's transport safety is supported by rigorous training and maintenance standards. Every employee who drives a truck or car on company business is trained in advanced techniques of defensive driving. Using the Smith system, Masterdrive evaluates truck drivers annually and car drivers every two years. The Department of Transport has recently approved in-house training for new truck drivers who are also assessed by the Smith system.

Afrox endorses the transport of dangerous goods legislation by training drivers and ensuring that vehicle specifications are met. The company's entire fleet is operated in accordance with the distribution standards programme (DSP) that was developed by Afrox. The DSP operation, which includes the running and maintenance of vehicles, undergoes an annual audit by local management. To date, all operations in South Africa and Africa have been audited.

RISK ASSESSMENT

Afrox is proactive in mitigating the possible risks associated with transporting and handling hazardous materials. Risk assessments, benchmarked against industry best practice, are carried out for both off- and on-site risks. If necessary, sites are re-engineered and employees trained to meet exacting standards of safety. At each new site, Afrox consults interested and affected parties (IAPs) to address their needs. The containment of Liquid Petroleum Gas (LPG) is one of the company's highest priorities. Instead of using traditional water sprays, static LPG vessels and road tankers are insulated to prevent fire hazards.



Thabiso Nyokong, a laboratory supervisor, checks quality at Afrox's Analytical laboratory, Germiston.

Occupational health and hygiene risk assessments are conducted at all sites to obviate employee liability claims. As part of the SHEQ strategy, new staff are assessed medically and training is provided in manual handling and ergonomics to prevent musculoskeletal disorders. Occupational hygiene has been introduced, and the identification and reduction of health hazards in the workplace enhances safety and reduces the potential for adverse occupational health outcomes.

ENVIRONMENT

Afrox is committed to safeguarding the environment and is represented on BOC's team of environment experts, who improve performance and disseminate best environment practices globally. Large quantities of electricity are consumed at the company's air separation units, and environmental energy management systems have been installed that indirectly reduce carbon dioxide emissions. Many Afrox operations are located adjacent to large clients, minimising the necessity for road transportation and its associated environmental impact.

Afrox conforms to complex environmental legal requirements and national, provincial, and town by-laws by conducting gap analyses and addressing any discrepancies. Impact and aspect assessments were conducted on ten existing sites during the year to identify any unforeseen impact on the environment. Comprehensive annual environment surveys are carried out at all the company's sites and Afrox's performance compares favourably with that of other BOC companies.

Afrox is innovative in managing waste and hazardous material. Lime sludge, for example, is sold for its effective use in industrial processes. This waste, a product of dissolved acetylene, would otherwise be dispersed in the environment.

The company's Integrated Management Systems and Standards (IMSS) are being modified to meet formal ISO 14001 requirements and to comply with the spirit of the UN Global Compact, to which parent company, The BOC Group, is a signatory. By complying with ISO 14001, Afrox will assist customers in improving their own environmental performances.

QUALITY

Afrox is on target to meet the updated quality standards of ISO 9001:2000. Within The BOC Group, Process Gas Solutions tonnage, bulk distribution, distribution and SHEQ were the first units of their kind to attain the ISO 9001:2000 quality listing. The Roodekop plant and Special Products' achievement of ISO 9001:2000 was also a first within BOC's Industrial and Special Products (ISP) line of business.

All the operations in Afrox's central and southern regions comply with ISO 9001:2001, as do the welding and cutting factories and ISP engineering. Currently, 59 out of a possible 86 sites in South Africa are exceeding international standards of quality.

COMPETENCY

Afrox's IMSS ensures employees' competency in matters of safety, health, the environment, and quality. Traccess™, an international outcomes-based training system, has been adapted and linked to the unit standards of the South African National Qualifications Framework. By using this interactive online system, employees can learn about their particular functions, demonstrate their competency, keep up to date with developments in their fields, and improve their qualifications for promotion.

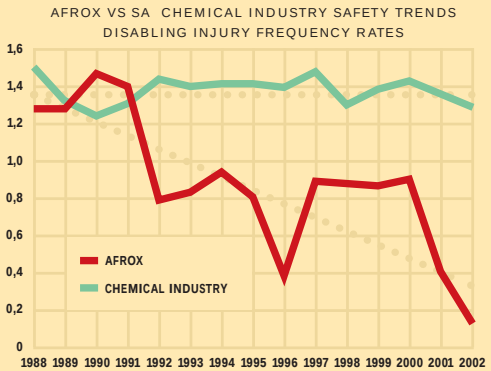
CUSTOMER SATISFACTION

Afrox is able to offer a superior service to customers, especially if the customers' needs are known and understood. Programmes are in place to measure on-the-shelf availability (OTSA), which is a key enabler for the delivery in full and on time (DIFOT) service level measurement. This ensures that products are timeously available for delivery, or for collection from sales calling centres. On ordering, the customer is advised about product availability and the expected time of delivery.

Afrox is continually striving to improve services offered. The customer service improvement (CSI) measurement is an internal assessment of customer complaints, highlighting areas where the company must aim to improve.

The Smart Supply Chain Management (SSCM) process is a key enabler to the Performance Enhanced Customer Offer (PECO) programme. Armed with knowledge of what the customers' needs are, the company has the ability to achieve significant improvements in customer service with a reduction in inventory. Systems and procedures in place to achieve this are: enhanced central order-taking and processing, distribution resource planning, point of delivery devices, and accounts receivable. The company is intent upon providing superior supply chain management: a change in mindset, together with enhanced computerised systems, forms an effective conduit towards this objective.

Afrox's smart supply chain has become a benchmark nationally and the company's supply chain work has been selected as one of the finalists in the prestigious Logistics Achiever Awards 2002.



Corporate governance

Afrox is committed to the principles of honesty, transparency, integrity and accountability. The directors are accountable to stakeholders for ensuring that the company's business is conducted in accordance with high standards of corporate governance.

Corporate governance requires identifying the company's stakeholders and then agreeing and implementing policies to manage and advance the relationship with those stakeholders in the interests of the company. It also embraces the adoption and monitoring of sound effective systems of internal control, the assessment and management of business risks and the definition and implementation of appropriate business procedures.

The board is committed to providing timely, relevant and meaningful information to all stakeholders. The group's business is conducted in accordance with the highest standards of corporate governance and with local and internationally accepted corporate practice. These standards are entrenched in the group's established system of internal control by its procedures and its policies governing corporate conduct, with particular emphasis on the importance of the qualitative aspects of the corporate governance.

The company accepts the recommendations of the King II code of corporate governance, to the extent that it is applicable to the company. It is the policy of the board and management actively to review and enhance the group's systems of control and governance to ensure that the group's business is managed ethically and within prudently determined risk parameters in conformity with internationally accepted standards of best practice.

The directors accept full responsibility for corporate governance and are committed to ensuring a high standard of ethics, discipline, independence, fairness, social responsibility, accountability, collaboration and transparency through its relationships with management of the company, its shareowners and other relevant stakeholders.

Corporate governance within the Afrox group is managed and monitored by a unitary board of directors and several subcommittees of the main board. A corporate governance committee has been appointed by the board to ensure compliance with all aspects of King II and best practise. The board is of the opinion that the group complies significantly with the principles set out in King II.

BOARD OF DIRECTORS

The board is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the board supports the highest standards in corporate governance, which involves a set of relationships between management and the company, its board, its shareowners and other relevant stakeholders.

There is a formal schedule of matters reserved to the board which included the review of strategic and policy issues.

The statement below reports on how the company has applied these principles.

The board meets five times a year, with additional meetings when necessary. The Afrox directorate is chaired by non-executive director, John Walsh and comprises two executive directors, five non-executive directors and four independent non-executive directors.

Rick Hogben was appointed as managing director of the company on 1 November 2001 following Jimmy Marriott's retirement. Jimmy remained a non-executive director until 31 January 2002.

In terms of the company's articles of association, one third of the directors retire by rotation annually and if eligible for re-election, their names are submitted for election at the annual general meeting. Non-executive directors retire at the age of 70.

All directors are considered on the basis of their experience, skills and level of contribution. The board recognises the vital role that non-executive directors have in ensuring high governance standards and depends on their input for the proper deliberation of matters.

Approved levels of authority ensurethat the board makes decisions on material matters.

Non-executive directors contribute an independent view to matters under consideration and add to the breadth and depth of experience of the board. This group enjoys significant influence at meetings and is encouraged to stay fully abreast of the company's business through site visits and meetings with senior management.

There are no long-term service contracts relating to the position of any director.

Details of director remuneration are contained on page 91 of this report.

The names and credentials of the directors in office on 30 September 2002 and their attendance at quarterly board meetings are detailed on page 45. The board remains responsible to stakeholders in the exercise of its duties.

The role of chairman and chief executive are separate.

The chief executive is not subject to retirement by rotation. The maximum period of any such appointment is five years.

In terms of the articles of association, Messrs L MacNair, R Cottrell and R Médori together with Dr. C Strauss retire by rotation at the annual general meeting, and being eligible, offer themselves for re-election.

Members have unlimited access to the company secretary, who acts as an advisor to the board and its sub-committees on relevant issues, including compliance with group rules and procedures, statutory regulations and with King II.

Any board member in appropriate circumstances, at the expense of the company, may obtain advice from independent professionals.

BOARD SUB-COMMITTEE

Board committees consist of the audit committee, the management resources committee and the retirement committee. A non-executive director chairs each committee with the voting members being the non-executive directors of the relevant committee.

AUDIT COMMITTEE

This committee meets bi-annually, and comprises of the following non-executive directors:

René Médori (chairman)
Gordon Sibiya (independent)
Rick Cottrell (independent)

Invitees, including the chief executive, general manager finance, external auditors, internal auditors and the company secretary, attend meetings.

The external and internal auditors have unrestricted access to the chairman of the audit committee.

The audit committee evaluates the findings of internal and external audit, the action taken, the appropriateness and adequacy of the systems of internal financial and operational control, reviews accounting policies and financial information issued to stakeholders, and recommends the appointment of the external auditors.

The board is provided with regular reports on the committee's activities and has unlimited access to the chairman of the audit committee.

INTERNAL AUDIT

The audit function is an independent appraisal function which examines and evaluates the group's activities and the appropriateness, adequacy and efficiency of the systems on internal control and resultant business risks. In terms of the audit committee charter, the manager of internal audit has the responsibility of reporting to the audit committee and has unrestricted access to the chairman.

The objective of the internal audit function is to assist members of executive management in the effective discharge of their responsibilities. Audit plans are reviewed based on the assessment of risk areas. Every assignment is followed by a detailed report to management, including recommendations, on aspects requiring improvement.

Significant business risks and weaknesses in the systems of operating and financial control are highlighted and are brought to the attention of the audit committee, senior management and the external auditors. The audit work plan is represented in advance to the audit committee.

The company has a fraud hot-line which is managed by an independent service provider. Employees and associates are able to report suspected irregularities anonymously. Internal audit investigates all reported incidents. Results confirm that this is an effective tool for the prevention and detection of fraud.

There are regular two-way communications between the chief executive officer and internal audit.

EXTERNAL AUDIT

The external audit provides an independent assessment of systems of internal financial controls and expresses an independent opinion on the annual financial statements. The external auditor complements the work of the internal audit department and reviews all internal audit reports on a regular basis. The external audit function offers reasonable, but not absolute assurance, on the accuracy of financial disclosures.

MANAGEMENT RESOURCES AND RETIREMENT COMMITTEE

During the year these committees comprised of the following non-executive directors:

Management Resources Committee
Conrad Strauss (Chairman)
(non-executive) independent
John Walsh (non-executive)

The purpose of the management resources committee is to approve a broad resource and remuneration strategy for the group and to ensure that executive directors and senior executives are adequately remunerated for their contribution to Afrox's operating and financial performance. Consideration is given to base pay and short and long term incentives, as well as the terms and conditions of employment of executive directors and senior management, in order to maintain a competitive and equitable compensation policy.

The management resources committee, in fulfilling its duties, gives consideration to industry, local and international benchmarks and trends. At all times, due attention is paid to succession plans and the retention of key executives.

The management resources committee is responsible for the assessment and nomination of potential new directors. New directors are given full induction into the company in an extensive introductory programme designed to familiarise all directors with the business.

Members have no personal interest in the outcome of their decisions.

RETIREMENT COMMITTEE

L MacNair (non-executive) - independent
R Cottrell (non-executive) - independent
R Hogben (executive) - (appointed 19 April 2002)

The committee reviews the company's policies and practices relating to the various retirement schemes for the benefit of employees. It also reviews the rule changes and benefit improvements and authorises the establishment and termination of schemes.

RETIREMENT FUND TRUSTEES

All retirement funds have a board of trustees comprising company and staff representatives. Staff elected trustees make up at least half of the board. Meetings are held at bi-annually.

EMPLOYMENT EQUITY

The company is committed to the creation of an organisation that supports the equality of its people and is committed to the elimination of any form of discrimination in the workplace. It views employment equity as a positive step in addressing past imbalances and ensuring that development opportunities are created for designated employees as defined by the Employment Equity Act.

RISK MANAGEMENT

The board is responsible for the total process of risk management. The risk assessment monitor is used as the main source of information to determine the effectiveness of Afrox's risk management process. This approach identifies strengths, weaknesses, opportunities and threats within management, business and operating processes. This ensures that the company's risk exposure is aligned to the preferred risk profile.

With assistance from expert insurance consultants, risks are assessed and insurance cover purchased for all insurable risk above pre-determined self-insured limits. Levels of cover are reassessed annually in the light of claims experiences and internal and external influences.

Disaster recovery plans for the provisions of ongoing information technology service in the event of a disaster are documented, updated, and tested at reasonable intervals. A business continuity plan that will allow the company to continue critical business processes in the event of a disastrous incident has been developed and documented.

INTERNAL CONTROL

The board of directors is responsible for the group's systems of internal control. Responsibility for the adequacy, extent and operation of these systems is delegated to the executive directors. To fulfil this responsibility, management maintains accounting records and has developed and continues to maintain appropriate systems designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, safeguard, verify and maintain accountability of its assets and detect and minimise fraud, potential liability, loss and material misstatement.

The systems of internal control are based on established organisational structures, written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts.

Having reviewed its effectiveness, the directors are not aware of any significant weaknesses or deficiencies in the company's system of internal financial controls during the period covered by this report and accounts.

EMPLOYEE PARTICIPATION

The company has adopted a variety of participating structures on issues that affect employees. These structures are designed to achieve good employer/employee relations by encouraging open communication, consultation and identifying and resolving sensitivities and conflicts. This is achieved through established consultative forums that give employees equal rights in terms of participation as represented in the 'workplace forums' chapter of the Labour Relations Act.

During the year a follow up employee survey was conducted throughout the company. Employee perceptions improved meaningfully since the previous survey conducted in 2001.

SOCIAL RESPONSIBILITY

Afrox has a long record of corporate social responsibility and today businesses have recognised that they are responsible, not only to their shareholders, but also to many other groups. This view is backed by a growing body of stakeholders and public opinion wanting to see an appropriate balance between competitive performance and social responsibility.

Afrox's community involvement process is a multi-faceted programme which includes grants to universities and technikons, support of other educational institutions, educational support for individuals and its own unique Bumbanani Day programme.

Bumbanani Day has formed a major part of the company's community involvement process. This multi-faceted program, which includes some 115 projects, is a self-help investment in the future of the country and the people. Employees give their time on a voluntary basis to support over 8 000 disadvantaged children from orphanages and child-care organisations. This work culminates in an annual day of celebration, Bumbanani Day. The company provides financial support to the Bumbanani projects.

A more detailed report appears on pages 36 to 37.

SECURITY, SAFETY, HEALTH AND ENVIRONMENT PRACTICES

Protection of staff, colleagues, stakeholders and the environment is paramount in all activities. Afrox is committed to being a leader in occupational safety and health, environmental protection and quality standards. This requires that every operation complies with the rules, regulations and procedures established.

A more detailed report appears on pages 38 and 39 of this document.

CODE OF CONDUCT

The company is committed to the highest standards of honesty, integrity, behaviour and ethics in dealing with all stakeholders. All directors and employees of the company subscribe to a corporate culture, which requires them to maintain the highest personal ethical standards and to act in good faith and in the interests of the company. This ensures that the company's business practices are conducted in a reasonable manner.

Employees are prohibited from dealing in shares during price sensitive periods. In line with regulatory and governance practices, they are required to disclose their dealings in the Afrox's shares to the company secretary.

All Afrox employees are required to adhere to a comprehensive internal and electronic mail policy. This disallows any activities that may bring the group into disrepute. Firm action is taken against staff and associates who fail to honour this policy.

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 30 September 2002, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

IM Matthee
Company secretary
31 October 2002

DETAILS OF BOARD AND SUB-COMMITTEES

Members of board sub-committees together with their participation in formal meetings as at 31 October 2002 were detailed as follows:

MEETING ATTENDANCE

AUDIT COMMITTEE	24/4/02	29/10/02
R Médori (chairman)	A	P
R Cottrell	P	P
G Sedgwick	P	P

MANAGEMENT RESOURCES	30/1/02
C Strauss (chairman)	P
J Walsh	P

BOARD RETIREMENT	19/4/02	26/9/02
L MacNair (chairman)	P	P
R Cottrell	P	P
R Hogben (app 19/4/02)	P	P

BOARD MEETINGS 2002	01/11/02	31/1/02	25/4/02	26/7/02	26/9/02	31/10/02
Lindsay MacNair	P	P	P	P	P	P
Rick Cottrell	P	P	P	P	P	P
Conrad Strauss	P	P	P	A	P	P
Gordon Sibiya	P	P	P	A	A	P
John Walsh	P	P	P	P	P	P
Nick Deeming	A	A	P	A	P	P
Tony Isaac	P	A	A	A	A	A
Greg Sedgwick	P	A	P	P	P	P
René Médori	P	P	A	A	P	A
Rick Hogben	P	P	P	P	P	P
Mike Flemming (appointed 1/11/01)	P	P	P	P	P	P
Rob Lourey	A	P	P	A	P	P
Jimmy Marriott (retired 30/1/01)	P	n/a	n/a	n/a	n/a	n/a

A: absent from meeting
P: present at meeting
n/a: not a director at that time

Shareholders' profile

for the year ended 30 September 2002

Number of shareholders	Group of shares	% of holders	Holdings	% of issued share capital
3 291	1 - 5 000	77,39	3 957 179	1,20
613	5 001 - 20 000	14,42	5 973 353	1,81
155	20 001 - 50 000	3,64	4 799 845	1,45
66	50 001 - 100 000	1,55	4 869 211	1,47
50	100 001 - 200 000	1,17	6 783 466	2,06
77	200 001 and over	1,81	120 824 241	36,58
1	BOC Holdings	0,02	183 093 513	55,43
4 253		**100,00**	**330 300 808**	**100,00**
3 876	Individuals and deceased estates	91,13	16 337 814	4,95
250	Corporate bodies	5,89	58 289 710	17,65
33	Banks and nominee companies	0,77	7 049 213	2,13
55	Insurance, investment and trust companies	1,29	52 641 747	15,94
38	Pension, provident funds and trusts	0,90	12 888 811	3,90
1	BOC Holdings	0,02	183 093 513	55,43
4 253		**100,00**	**330 300 808**	**100,00**

MAJOR SHAREHOLDERS

The shareholders registered as holding 1% or more of the share capital of the company at 30 September 2002 were:

Shareholder	Number of shares held	% of total
BOC Holdings	183 093 513	55,43
Old Mutual Life	37 717 142	11,42
Capital Alliance	6 135 660	1,86
Sanlam Invest Portfolio	4 695 512	1,42
Coronation Life	4 626 883	1,40
Engineering Ind Pens Fund	3 828 837	1,16
FNT Investec Opportunity Fund	3 510 837	1,06
Public Inv Commissioners	3 430 941	1,04
	247 039 325	74,79
Other shareholders	83 261 483	25,21
TOTAL	**330 300 808**	**100,00**

According to information available to the directors on enquiry as to registered nominee shareholders, the only shareholders who beneficially held, directly or indirectly, in excess of 1% of the share capital of the Company at 30 September 2002 were BOC Holdings which held 55,43%, Old Mutual Life which held 11,42%, Capital Alliance which held 1,86% and Sanlam Invest Portfolio which held 1,42%.

for the year ended 30 September 2002

Shareholders' profile

SHAREHOLDER SPREAD

To the best knowledge of the directors and after reasonable enquiry, the spread of shareholders at 30 September 2002 as defined in the listings requirements of the JSE Securities Exhange (SA) Ltd, was as follows:

Public shareholders	30,91%
Non-Public shareholders	69,09%

DIVIDENDS

Details of dividends declared, paid and payable are as follows:

Number	Declaration date	Last date to trade ('LDT') ordinary shares 'CUM' dividend	Ordinary shares trade 'EX' dividend	Record date ('RD')	Payment date	**2002** Amount per share (cents)	2001 Amount per share (cents)
152	Apr 29, 2002	July 19, 2002	July 22, 2002	July 26, 2002	July 29, 2002	**25,5**	20,5
153	Oct 31, 2002	Jan 17, 2003	Jan 20, 2003	Jan 24, 2003	Jan 27, 2003	**37,0**	31,5
						62,5	52,0

STATISTICS

	2002	2001	2000	1999	1998	1997	1996
Share price (cents)							
– high	**1 500**	1 310	1 550	1 230	1 590	1 775	1 710
– low	**1 150**	955	970	590	600	1 260	1 240
– average	**1 270**	1 131	1 191	857	1 149	1 545	1 491
– closing	**1 310**	1 200	1 225	985	750	1 260	1 500
Ordinary shares in issue at year end ('000)	**330 301**	325 542	318 488	315 134	310 034	307 101	305 383
Number of shares traded ('000)	**65 977**	41 817	28 219	57 743	34 801	19 493	14 229
Number of transactions	**5 124**	4 381	4 958	4 050	3 701	2 875	2 027
Value of shares traded (R'000)	**837 889**	472 749	336 199	496 895	396 531	297 195	219 259
Number of shares traded as a percentage of shares issued	**20,0**	12,8	8,9	18,3	11,2	6,3	4,7
Earnings yield (%)	**9,1**	8,6	6,6	7,4	7,6	5,2	4,1
Dividend yield (%) (Note 22)	**4,8**	4,3	3,8	4,3	5,0	2,8	2,1

Seven year financial review

for the year ended 30 September 2002

	2002 R'000	2001 R'000	2000 R'000	1999 R'000	1998 R'000	1997 R'000	1996 R'000
BALANCE SHEET SUMMARY							
Non-current assets							
Property, plant and equipment	**2 687 938**	2 192 798	2 173 296	2 075 021	1 619 334	1 495 968	1 089 225
Other non current assets	**268 284**	213 777	266 916	265 386	95 814	149 633	179 368
Deferred tax	**32 621**	28 348	24 055	16 558	14 500	9 468	8 097
Current assets (excluding bank and cash)	**1 611 224**	1 395 606	1 310 111	1 201 620	927 839	807 104	659 949
Total assets	**4 600 067**	3 830 529	3 774 378	3 558 585	2 657 487	2 462 173	1 936 639
Equity and liabilities							
Capital and reserves	**1 892 528**	1 585 247	1 198 992	1 062 922	930 358	842 454	903 076
Minority interest	**560 342**	385 213	402 156	395 612	69 505	48 917	36 365
Borrowings (including short term, bank and cash)	**623 342**	551 714	861 691	795 149	625 297	704 811	402 126
Property finance leases (including short term)	**76 888**	81 758	85 264	87 203	87 203	–	–
Retirement benefit obligation	**77 930**	57 631	46 711	43 187	55 278	50 755	–
Deferred tax	**166 378**	179 171	188 672	180 168	171 005	134 584	92 190
Current liabilities (excluding interest bearing borrowings)	**1 202 659**	989 795	990 892	994 344	718 841	680 652	502 882
Total equity and liabilities	**4 600 067**	3 830 529	3 774 378	3 558 585	2 657 487	2 462 173	1 936 639
INCOME STATEMENT SUMMARY							
Revenue	**6 511 510**	5 239 374	4 722 332	3 710 980	2 864 137	2 445 648	2 009 714
Profit before taxation	**751 307**	602 025	482 574	392 389	311 800	314 913	302 947
Profit after taxation	**507 289**	420 466	321 175	269 864	194 975	211 280	193 515
Minority interest	**(117 040)**	(90 294)	(64 652)	(41 416)	(18 129)	(11 027)	(9 661)
Net profit for the year	**390 249**	330 172	256 523	228 448	176 846	200 253	183 854
Dividends declared (note 22)	**(185 181)**	(65 785)*	(149 426)	(133 672)	(116 741)	(108 957)	(97 763)
Retained income	**205 068**	264 387	107 097	94 776	60 105	91 296	86 091
CASH FLOW SUMMARY							
Operating profit (before other operating income)	**896 476**	683 657	638 931	567 545	461 871	402 704	364 015
Cash generated from operations	**1 168 010**	947 194	640 972	711 344	480 071	550 090	442 511
Change in funding requirements	**(179 392)**	(401 090)	45 305	(175 358)	71 345	(128 863)	19 993
Total capital expenditure	**(380 803)**	(256 565)	(315 942)	(369 989)	(158 952)	(213 355)	(161 571)

*This amount represents the interim dividend only, as the final dividend was declared after 30 September 2001. The final dividend for the year-end 30 September 2001 is therefore included in the 30 September 2002 figure, in accordance with AC107.

for the year ended 30 September 2002

Seven year financial review

	2002	2001	2000	1999	1998	1997	1996
STATISTICS							
Per ordinary share							
Headline earnings per share (cents)	**124,8**	94,3	85,5	85,2	63,7	68,6	60,9
Basic earnings per share (cents)	**119,6**	102,9	81,0	73,0	57,3	65,4	60,8
Dividends per share (cents) (Note 22)	**62,5**	52,0	47,0	42,5	37,7	35,5	32,1
Net asset value per share (cents)	**573**	487	376	337	300	274	296
Profitability and asset management							
Operating profit (before other operating income) to revenue (%)	**13,8**	13,0	13,5	15,3	16,1	16,5	18,1
Return on net assets (%)	**26,2**	25,5	22,8	20,8	23,1	23,0	25,8
Net asset turn (times)	**2,1**	1,9	1,8	1,7	1,5	1,5	1,5
Return on shareholders' equity (%)	**20,6**	20,8	21,4	21,5	19,0	23,8	20,4
Return on capital employed (%)	**25,9**	25,3	22,6	20,6	23,0	22,9	25,7
Liquidity							
Interest cover (times)	**5,60**	4,91	3,89	3,64	3,28	4,27	5,29
Dividend cover (times) (Note 22)	**2,11**	5,02	1,72	1,71	1,51	1,84	1,88
Gearing (%)	**20,6**	22,3	34,0	34,4	36,8	39,6	28,0
Liability ratio	**0,71**	0,74	1,06	1,12	1,17	1,29	0,88
Current ratio	**1,18**	1,20	0,94	0,92	1,14	0,95	1,03
Employees							
Number of employees	**16 809**	15 505	16 509	16 027	8 819	8 372	7 785
Revenue per employee (R'000)	**387**	338	286	232	325	292	258
Profit before taxation per employee (R'000)	**45**	39	29	27	35	38	39

DEFINITIONS OF RATIOS AND TERMS

Basic earnings per share - net profit for the year divided by the weighted average number of ordinary shares in issue during the year.
Borrowings - net interest bearing debt (including property finance leases).
Capital employed - capital and reserves, minority interest, total borrowings, retirement benefit obligation and deferred tax liability.
Current ratio - current assets to current liabilities.
Dividend cover - net profit for the year divided by the ordinary dividend for that year.
Dividend yield - dividends per share as a percentage of market value per share at year end.
Earnings yield - basic earnings per share as a percentage of market value per share at year end.
Gearing - borrowings as a percentage of total capital employed.
Headline earnings per share - net profit for the year before exceptional items after tax, goodwill, and profit and loss on disposal of property, plant and equipment, divided by the weighted average number of ordinary shares in issue during the year.
Interest cover - profit from operations divided by finance costs.
Liability ratio - total liabilities to total equity and liabilities less liabilities.
Net asset turn - revenue divided by average net assets.
Net assets - total assets less non interest bearing liabilities, excluding deferred taxation.
Net asset value per share - capital and reserves divided by number of ordinary shares in issue at year end.
Return on net assets - profit from operations expressed as a percentage of net assets.
Return on shareholders' equity - net profit for the year expressed as a percentage of capital and reserves.
Return on capital employed - profit from operations expressed as a percentage of capital employed.

Approval of financial statements

for the year ended 30 September 2002

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements and related financial information included in this annual report. The external auditors are responsible for reporting on the financial statements.

The financial statements, which appear on pages 52 to 95 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, incorporate full and responsible disclosure and are based on appropriate accounting policies.

Furthermore, the directors are also responsible for the group's system of internal control which is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, adequately to safeguard, verify and maintain accountability of assets, and to prevent and detect material mistakes and fraud.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be going concerns in the foreseable future, based on forecasts and available cash resources.

These financial statements support the viability of the company and group.

The financial statements, were approved by the board of directors and are signed on their behalf by:

J Walsh
Chairman
Johannesburg
31 October 2002

R Hogben
Managing director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN OXYGEN LIMITED

We have audited the annual financial statements and group annual financial statements of African Oxygen Limited set out on pages 52 to 95 for the year ended 30 September 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by the management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 September 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
31 October 2002

LODGEMENT OF RETURNS WITH THE REGISTRAR OF COMPANIES

In terms of section 268 G (d) of the Companies Act 61 of 1973 as amended, I certify that in respect of the year ended 30 September 2002 the company has lodged with the Registrar all such returns as are required by the Companies Act.

I M Matthee
Company secretary
Johannesburg
31 October 2002

The directors have pleasure in submitting their report and the annual financial statements of the group and the company for the year ended 30 September 2002.

In the context of the financial statements, the term group refers to the company and its subsidiaries. A list of the subsidiaries appears on page 94.

NATURE OF BUSINESS

African Oxygen Limited manufactures and markets gases, welding products and a wide range of specialised high-technology industrial products. The group has extensive interests in private hospitals and healthcare services.

FINANCIAL SERVICES

Contribution to the operating profit was as follows:

	2002 %	2001 %
Industrial and Special Products	43	47
Process Gas Solutions	9	8
Healthcare	48	45

FINANCIAL RESULTS

The results of the business and operations of the group are fully set out in these finacial statements and in the financial section in the financial review on pages 28 to 30 and therfore do not require any further comment or elucidation.

ACCOUNTING STANDARDS

The group's and the company's annual financial statements comply with the South African Statements of Generally Accepted Accounting Practice applicable to the group for the current financial year.

The comparatives have been adjusted or extended to take into account the requirements of the following revised or new accounting statements that the group has implemented in 2002.

AC 116: Employee benefits
AC 123: Property, plant and equipment - relating to freehold buildings
AC 135: Investment property

SHARE CAPITAL

As at 30 September 2002, the share capital was:
(see table at the bottom of the page)

The following changes took place during the year:
4 758 852 ordinary shares of five cents each were granted in the capitalisation award in July 2002.

SHARES REPURCHASED

A special resolution was passed at the annual general meeting held on Thursday, 30 January 2002, in which a general authority was granted for the company to repurchase a maximum of 20 percent of its own shares in any one financial year.

DIVIDENDS AND CAPITALISATION SHARE AWARDS

Details of dividends are set out in the income statement.
On 25 April 2002, the directors resolved to award capitalisation shares to ordinary members or the right of election to receive an interim cash dividend of 25,5 cents per share in lieu thereof for the six month period ended 31 March 2002.
A dividend of 25,5 cents (2001: 20,5 cents) per ordinary share was paid on 29 July 2002 to members registered in the books of the company at the close of business on 19 July 2002.
A final dividend of 37 cents (2001: 31,5 cents) per share has been declared payable to members on Monday, 27 January 2003.
Share certificates may not be dematerialised/rematerialised between 20 January 2003 and 24 January 2003.

HOLDING COMPANY

The holding company of African Oxygen Limited is BOC Holdings and its ultimate holding company is The BOC Group plc. African Oxygen Limited is incorporated in the Republic of South Africa and The BOC Group plc is incorporated in England. African Oxygen Limited is listed on the JSE Securities Exchange South Africa and on the Namibian Stock Exchange. The BOC Group plc is listed on the New York and London Stock Exchanges.

BOARD OF DIRECTORS

The board comprises two executive directors, five non-executive directors and four independent non-executive directors.

EXECUTIVE DIRECTORS

Rick Hogben - Managing director
Mike Flemming - Director

NON-EXECUTIVE DIRECTORS

John Walsh, chairman (American) - chief executive of Industrial and Special Products - The BOC Group plc.
Nick Deeming (British) - group legal director/company secretary - The BOC Group plc.
Tony Isaac (British) - group chief executive - The BOC Group plc.
René Médori (French) - group financial director - The BOC Group plc.
Greg Sedgwick (Australian) - group business development officer - The BOC Group plc.
Rob Lourey (Australian) - group human resources director - The BOC Group plc.
Mr Lourey is an alternate director to Messrs Isaac, Médori and Sedgwick.

	Number 2002	R	Number 2001	R
Authorised ordinary shares of 5 cents each	350 000 000	17 500 000	350 000 000	17 500 000
Issued	330 300 808	16 515 040	325 541 956	16 277 098
Unissued	19 699 192	984 960	24 458 044	1 222 902

INDEPENDENT NON-EXECUTIVE DIRECTORS

Rick Cottrell - an independent consultant
Lindsay MacNair - former senior general manager, gases
Gordon Sibiya - a consulting engineer
Conrad Strauss - director of companies

DIRECTORATE

Changes to the directorate which occurred during the year are set out hereunder.

1 November 2001

Mr C M D Flemming was appointed director with effect from Thursday, 1 November 2001.

30 January 2002

Mr J M Marriott retired as director with effect from Wednesday, 30 January 2002.
The board as it is currently constituted is set out on pages 2 and 3.

Interests of Directors

For details refer to note 33 in the annual financial statements.
No other material change in the aforegoing interests has taken place between 30 September 2002 and the date of this report.
There were no contracts of significance during, or at the end of, the financial year in which any directors of the company were materially interested.

SERVICE CONTRACTS

No service contracts exist between the company and any of its directors having a notice period exceeding one month or providing for compensation and benefits in excess of one month's salary.

INCREASE IN DIRECTORS' FEES

The fees payable to the directors and chairman increased during the 2002 financial year by 7.5 percent from R40 000 per Director to R43 000 per annum and for the chairman from an aggregate of R80 000 to R85 680 per annum. The fees for Board retirement committee and Audit committee increased by 7,1 percent.

SHARE APPRECIATION RIGHTS SCHEME

A summary of share appreciation rights in terms of the Share Appreciation Rights Scheme is provided below in accordance with the provisions of the company's SAR Scheme.

The only linkage between SARs and the issued share capital is to provide a base for measuring the benefit for awards granted to staff.

Number of SARs allocated at 30 September 2001	–
Add: SARs allocated during the year	17 986 485
Less:	(2 164 250)
Number of SARs lapsed since 1 October 2001	(660 000)
Number of SARs exercised during the year	(1 504 250)
Number of SARs allocated at 30 September 2002	15 822 235

In terms of the rules of the Share Appreciation Rights Scheme, the aggregate number of share appreciation rights for the purposes of the scheme shall not exceed the equivalent of 10 percent of the company's issued ordinary share capital from time to time and no one individual may hold in excess of the equivalent of one percent of the company's issued share capital.
Certain directors who held office on 30 September 2002, had a direct interest in 508 750 Share Appreciation Rights in the company granted at an average price of 1175 cents per share.
At the date of this report, there have been no changes to the above shareholdings.

SECRETARY

The company secretary is Mr I M Matthee whose business and postal addresses appear on page 98 of this annual report.

ADMINISTRATION

Computershare Services Limited is the share transfer secretary of the company.

SUBSIDIARY AND ASSOCIATED COMPANIES

Information regarding the interest in subsidiaries and associates is set out on pages 94 and 95.
As at 30 September 2002:

	2002 R'000	2001 R'000
Subsidiary companies' profit after taxation	378 634	272 015
Subsidiary companies' losses after taxation	(6 861)	(18 735)
Share of associated companies' profit after taxation	19 230	20 875

MATERIAL EVENTS AFTER ACCOUNTING DATE

Afrox Healthcare Limited increased its shareholding in the Little Company of Mary to 70 percent with effect from 1 October 2002 subject to approval from the Competition Commissioner.
One of the group's subsidiary companies has entered into an agreement with Amplats to form a new company that will own the private hospital, Peglerae, in Rustenburg. The effective date for this transaction was 1 October 2002.
The group is in the process of restructuring its holding in Amalgamated Hospitals Ltd. The effect of this will be that all Amalgamated Hospitals business operations will become divisions of Afrox Hospitals Limited and that Amalgamated Hospitals Ltd will be placed in voluntary liquidation.

AUDITORS

PricewaterhouseCoopers Inc. will continue in office for the ensuing year in accordance with section 270(2) of the Companies Act, 1973, as amended.

Balance sheets

as at 30 September 2002

	Note	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
ASSETS					
Non-current assets		**2 988 843**	2 434 923	**1 369 053**	1 324 863
Property, plant and equipment	3	**2 687 938**	2 192 798	**1 013 459**	916 512
Intangibles	4	**3 084**	2 949	**–**	–
Goodwill	5	**105 686**	13 300	**773**	–
Investments in subsidiaries	6	**–**	–	**336 713**	395 269
Investments in associates	7	**96 519**	147 690	**–**	–
Other investments	8	**32 935**	25 815	**18 108**	13 082
Non-current receivables	10	**30 060**	24 023	**–**	–
Deferred tax	12	**32 621**	28 348	**–**	–
Current assets		**1 662 426**	1 442 600	**643 445**	641 565
Inventories	13	**404 319**	350 323	**200 119**	172 485
Trade and other receivables	14	**1 202 017**	1 037 194	**438 498**	460 991
Group companies		**4 888**	8 089	**4 828**	8 089
Cash and cash equivalents	15	**51 202**	46 994	**–**	–
Total assets		**4 651 269**	3 877 523	**2 012 498**	1 966 428
EQUITY AND LIABILITIES					
Capital and reserves		**1 892 528**	1 585 247	**1 241 545**	1 099 054
Share capital	16	**16 515**	16 277	**16 515**	16 277
Share premium	16	**360 478**	298 756	**360 478**	298 756
Revaluation reserve		**104 371**	87 807	**–**	–
Accumulated profits		**1 411 164**	1 182 407	**864 552**	784 021
Minority interest		**560 342**	385 213	**–**	–
Non-current liabilities		**794 673**	706 992	**297 723**	336 693
Interest bearing borrowings	17	**480 052**	393 606	**118 310**	169 247
Property finance leases	18	**70 313**	76 584	**–**	–
Deferred tax	12	**166 378**	179 171	**101 483**	109 815
Retirement benefit obligation	11	**77 930**	57 631	**77 930**	57 631
Current liabilities		**1 403 726**	1 200 071	**473 230**	530 681
Trade and other payables	19	**931 551**	773 371	**340 244**	289 332
Provisions	20	**113 347**	108 209	**25 766**	24 044
Current portion of interest bearing borrowings	17 & 18	**201 067**	210 276	**29 432**	166 038
Group companies		**12 271**	8 417	**12 271**	8 417
Taxation		**145 490**	99 798	**65 517**	42 850
Total equity and liabilities		**4 651 269**	3 877 523	**2 012 498**	1 966 428

Income statements

for the year ended 30 September 2002

	Note	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
Revenue	26	**6,511 510**	5 239 374	**2 066 889**	1 721 924
Cost of sales		**(2 897 972)**	(2 374 486)	**(1 183 395)**	(943 543)
Cost of services		**(1 834 871)**	(1 496 004)	**–**	–
Gross profit		**1 778 667**	1 368 884	**883 494**	778 381
Other operating income		**–**	10 368	**115 919**	69 477
Distribution costs		**(121 044)**	(116 302)	**(111 540)**	(107 271)
Other operating expenses		**(761 147)**	(568 925)	**(492 170)**	(446 511)
Operating profit		**896 476**	694 025	**395 703**	294 076
Exceptional items	28	**(15 033)**	23 768	**23 833**	21 152
Profit from operations	27	**881 443**	717 793	**419 536**	315 228
Finance costs	29	**(157 275)**	(146 233)	**(89 318)**	(105 363)
Income from associates		**27 139**	30 465	**–**	–
Profit before taxation		**751 307**	602 025	**330 218**	209 865
Income tax expense	31	**(244 018)**	(181 559)	**(64 506)**	(45 544)
Profit after taxation		**507 289**	420 466	**265 712**	164 321
Minority interest		**(117 040)**	(90 294)	**–**	–
Net profit for the year		**390 249**	330 172	**265 712**	164 321
Basic earnings per ordinary share (cents)	32	**119,6**	102,9		
Headline earnings per ordinary share (cents)	32	**124,8**	94,3		
Dividends per share (cents)	22	**62,5**	52,0		
Final		**37,0**	31,5		
Interim		**25,5**	20,5		

Statements of changes in equity

for the year ended 30 September 2002

	Note	Share capital R'000	Share premium R'000	Revaluation reserve R'000	Accumulated profits R'000	Total R'000
GROUP						
Balance at 1 October 2000		15 924	221 642	84 801	982 562	1 304 929
Changes in accounting policies	2	–	–	–	(99 787)	(99 787)
Restated balance		15 924	221 642	84 801	882 775	1 205 142
Surplus on revaluation of properties		–	–	1 419	–	1 419
Other movements		–	–	(1 087)	37 919	36 832
Transfer between reserves		–	–	2 674	(2 674)	–
		15 924	221 642	87 807	918 020	1 243 393
Net profit for the year		–	–	–	330 172	330 172
Dividend declared		–	–	–	(65 785)	(65 785)
Issue of share capital		353	77 114	–	–	77 467
Restated balance at 1 October 2001		16 277	298 756	87 807	1 182 407	1 585 247
Surplus on revaluation of properties		–	–	15 940	–	15 940
Other movements		–	–	624	10 104	10 728
Currency translation difference		–	–	–	13 585	13 585
		16 277	298 756	104 371	1 206 096	1 625 500
Net profit for the year		–	–	–	390 249	390 249
Dividends declared		–	–	–	(185 181)	(185 181)
Issue of share capital		238	61 722	–	–	61 960
Balance at 30 September 2002		**16 515**	**360 478**	**104 371**	**1 411 164**	**1 892 528**
COMPANY						
Balance at 1 October 2000		15 924	221 642	–	715 589	953 155
Change in accounting policy	2	–	–	–	(30 474)	(30 474)
Restated balance		15 924	221 642	–	685 115	922 681
Other movements		–	–	–	370	370
		15 924	221 642	–	685 485	923 051
Net profit for the year		–	–	–	164 321	164 321
Dividend declared		–	–	–	(65 785)	(65 785)
Issue of share capital		353	77 114	–	–	77 467
Restated balance at 1 October 2001		16 277	298 756	–	784 021	1 099 054
Net profit for the year		–	–	–	265 712	265 712
Dividends declared		–	–	–	(185 181)	(185 181)
Issue of share capital		238	61 722	–	–	61 960
Balance at 30 September 2002		**16 515**	**360 478**	**–**	**864 552**	**1 241 545**

Cash flow statements

for the year ended 30 September 2002

	Note	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
Cash flows from operating activities					
Cash receipts from customers		**6 346 734**	5 145 683	**2 074 520**	1 699 299
Cash paid to suppliers and employees		**(5 178 724)**	(4 198 489)	**(1 577 858)**	(1 330 145)
Cash generated from operations	34	**1 168 010**	947 194	**496 662**	369 154
Interest received		**26 091**	40 633	**9 485**	15 042
Interest paid		**(183 366)**	(186 866)	**(98 803)**	(120 404)
Dividends received		**–**	10 368	**115 919**	69 477
Dividends paid		**(123 221)**	(77 495)	**(123 221)**	(77 495)
Normal taxation paid	35	**(202 344)**	(178 323)	**(48 290)**	(30 147)
Secondary taxation on companies paid	35	**(14 751)**	(14 302)	**(1 881)**	–
Net cash inflow from operating activities		**670 419**	541 209	**349 871**	225 627
Cash flows from investing activities					
(Acquisition)/disposal of subsidiaries	36	**(116 556)**	(32 365)	**111 097**	64 897
Purchase of property, plant and equipment	3	**(380 803)**	(256 565)	**(220 258)**	(144 764)
Replacement of property, plant and equipment		**(184 890)**	(161 856)	**(108 149)**	(84 032)
Additions to property, plant and equipment		**(195 913)**	(94 709)	**(112 109)**	(60 732)
Proceeds from disposal of property, plant and equipment		**13 976**	29 636	**5 567**	13 239
Associates and investments		**(649)**	(10 922)	**(57 567)**	89 305
Long term assets		**(6 037)**	130 098	**(780)**	142 964
Intangibles acquired		**(958)**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(491 027)**	(140 118)	**(161 941)**	165 641
Cash flows from financing activities					
Minorities		**(38 375)**	(68 142)	**–**	–
Repayment of long term borrowings		**(120 942)**	(59 720)	**(50 937)**	(7 068)
Repayment of short term borrowings		**(9 209)**	(353 324)	**(136 606)**	(370 578)
Repayment of capital element of finance lease liabilities		**(6 271)**	(5 479)	**–**	–
Movement on retirement benefit obligation		**(387)**	(13 622)	**(387)**	(13 622)
Net cash outflow from financing activities		**(175 184)**	(500 287)	**(187 930)**	(391 268)
Net increase/(decrease) in cash and cash equivalents		**4 208**	(99 196)	**–**	–
Cash and cash equivalents at beginning of year		**46 994**	146 190	**–**	–
Cash and cash equivalents at end of year	15	**51 202**	46 994	**–**	–

Segmental reporting

for the year ended 30 September 2002

Primary reporting format

Business segments

The group operates in three business segments, namely Process Gas Solutions (PGS), Industrial and Special Products (ISP) and Healthcare. These businesses are the basis on which the group reports its primary segment information.
The PGS business operates dedicated gas plants that are situated on or adjacent to customer sites, or supplied by long distance gas pipelines. PGS also supplies bulk gases by road tanker to the merchant market, to enhance customer processes and instals and manages small on-site packaged gas producing plants.
The ISP business comprises cylinder and liquid fabrication gases, special, hospitality and medical gases, Handigas and welding products. This business also includes the industrial business of local and foreign subsidiaries.

The Healthcare business operates private hospitals in southern Africa. It offers healthcare services consisting of a chronic medication management company, an occupational and primary healthcare provider, an interest in a pathology management company, a pharmacy management company, and Lifecare Group Holdings.

	PGS		ISP		Healthcare		Total	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000	2002 R'000	2001 R'000	2002 R'000	2001 R'000
Revenue								
External sales	369 314	293 381	2 256 160	1 891 223	3 886 036	3 054 770	6 511 510	5 239 374
Result								
Segment result	79 638	58 516	391 512	351 653	429 266	332 529	900 416	742 698
Changes in accounting policies	–	(982)	–	(21 507)	–	(18 713)	–	(41 202)
Restated segment result	79 638	57 534	391 512	330 146	429 266	313 816	900 416	701 496
Corporate overheads	–	–	–	–	–	–	(3 940)	(7 471)
Operating profit	79 638	57 534	391 512	330 146	429 266	313 816	896 476	694 025
Exceptional items	–	(2 017)	(4 567)	(21 917)	(10 466)	–	(15 033)	(23 934)
Unallocated exceptional item	–	–	–	–	–	–	–	47 702
Interest received allocated	–	–	–	–	16 270	27 158	16 270	27 158
Interest received unallocated	–	–	–	–	–	–	9 821	13 475
Interest paid allocated	–	–	–	–	(84 673)	(53 209)	(84 673)	(53 209)
Interest paid unallocated	–	–	–	–	–	–	(98 693)	(133 657)
Income from associates	–	–	–	–	27 139	30 465	27 139	30 465
Income tax expense allocated	–	–	–	–	(138 085)	(105 099)	(138 085)	(105 099)
Income tax expense unallocated	–	–	–	–	–	–	(105 933)	(76 460)
Profit after taxation	79 638	55 517	386 945	308 229	239 451	213 131	507 289	420 466
Other information								
Segment assets	376 871	393 406	1 809 466	1 628 958	2 296 325	1 574 908	4 482 662	3 597 272
Investments in associates	–	–	–	–	96 519	147 690	96 519	147 690
Unallocated assets	–	–	–	–	–	–	39 467	104 213
Consolidated total assets	376 871	393 406	1 809 466	1 628 958	2 392 844	1 722 598	4 618 648	3 849 175
Segment liabilities								
Current liabilities	39 796	38 274	341 051	297 428	776 085	531 813	1 156 932	867 515
Unallocated current liabilities	–	–	–	–	–	–	246 794	332 556
Non–current liabilities	3 117	2 305	62 344	46 105	303 276	69 994	368 737	118 404
Unallocated non–current liabilities	–	–	–	–	–	–	259 558	409 417
Consolidated total liabilities	42 913	40 579	403 395	343 533	1 079 361	601 807	2 032 021	1 727 892
Capital expenditure	50 077	47 253	187 913	107 465	142 813	101 847	380 803	256 565
Depreciation	55 028	51 011	91 533	86 811	109 474	83 612	256 035	221 434

Secondary Reporting Format

Geographical segments

The group operates mainly in two geographical segments, South Africa and the rest of Africa.

	South Africa		Rest of Africa		Total	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000	2002 R'000	2001 R'000
Revenue						
External sales	5 977 038	4 819 947	534 472	419 427	6 511 510	5 239 374
Result						
Segment result	820 349	672 364	76 127	62 863	896 476	735 227
Changes in accounting policies	–	(41 202)	–	–	–	(41 202)
Restated segment result - operating profit	820 349	631 162	76 127	62 863	896 476	694 025
Exceptional items	(15 033)	23 768	–	–	(15 033)	23 768
Finance costs	(156 166)	(144 367)	(1 109)	(1 866)	(157 275)	(146 233)
Income from associates	27 139	30 465	–	–	27 139	30 465
Income tax expense	(219 014)	(169 295)	(25 004)	(12 264)	(244 018)	(181 559)
Profit after taxation	457 275	371 733	50 014	48 733	507 289	420 466
Other information						
Segment assets	4 236 393	3 459 261	285 736	242 224	4 522 129	3 701 485
Investments in associates	96 519	147 690	–	–	96 519	147 690
Consolidated total assets	4 332 912	3 606 951	285 736	242 224	4 618 648	3 849 175
Segment liabilities/consolidated total liabilities	1 903 509	1 581 409	128 512	146 483	2 032 021	1 727 892
Capital expenditure	358 197	248 279	22 606	8 286	380 803	256 565
Depreciation	242 189	210 241	13 846	11 193	256 035	221 434

Segment revenue and expenses
Revenue and expenses that are directly attributable to segments are allocated to those segments.

Segment assets and liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of related allowances and provisions.
Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accruals.
Segment assets and liabilities do not include deferred income taxes.

1. Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those of the previous financial year, except as otherwise stated in note 2. In all material respects these policies have been followed by all companies in the group.

1.1 Statement of compliance

The financial statements and group financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

1.2 Basis of preparation

The financial statements are prepared on the historical cost basis, adjusted by the revaluation of certain freehold properties.

1.3 Basis of consolidation

1.3.1 Investments in subsidiaries

Subsidiaries, are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries.

The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal.

Investments in partnership capital accounts under the control of a subsidiary are consolidated in the group annual financial statements.

Where the fair value of the consideration paid exceeds the fair value of the identifiable assets and liabilities acquired, the difference is treated as purchased goodwill.

Where the fair value of the identifiable assets and liabilities acquired exceeds the fair value of the consideration given, the difference is treated as negative goodwill.

1.3.2 Investments in associates

An associate is an enterprise over whose financial and operating policies the group has the ability to exercise significant influence and which is neither a subsidiary nor a joint venture of the group.

Equity accounting involves recognising, in the income statement, the group's share of the associates' earnings for the year.

The group's interest in associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition.

1.3.3 Investments in joint ventures

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement.

Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the group's proportional share of the assets, liabilities, revenue and expenses of joint ventures are combined on a line by line basis, with similar items in the financial statements of the group. The results of joint ventures are included from the effective dates when joint control commences and up to the effective dates when joint control ceases.

1.3.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the enterprises.

Unrealised gains resulting from transactions with associates are eliminated against the investment in the associates. Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

1.4 Property, plant and equipment

The majority of properties are included at valuation. Property valuations are conducted every four years. Additions after the valuation dates are recorded at cost.

Any surplus on revaluation, in excess of net book value, is transferred to a revaluation reserve. Surpluses on revaluation are recognised in income to the extent that they reverse revaluation decreases of the same assets recognised as an expense in previous periods. Deficits on revaluation are charged directly against the revaluation reserves only to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of the same asset. Other deficits are recognised as a liability.

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes all cost directly attributable to bringing the assets to working condition for their intended use.

No depreciation is provided on freehold land. All other property, plant and equipment is depreciated on a straight line basis, calculated to write off the cost of the assets over their normal estimated useful lives.

This represents a change in accounting policy, as freehold buildings were not depreciated in previous years.

The expected useful lives are as follows:

freehold property, excluding hospital buildings - 40 years.
The useful life of each major hospital building is assessed and depreciation is provided for over their remaining lives, not exceeding 40 years.
passenger vehicles - 5 years;
light delivery vehicles - 7 years;
trucks - 10 years;
trailers - 15 years;
plant and equipment - 15 years;
liquefied petroleum gas cylinders - 15 years;
computer equipment - 3 years;
other cylinders - 25 years;
furniture and fittings - 5 years and
medical equipment - 5 to 10 years.

Improvements to leased premises are written off over the remaining rental periods applicable .

1.5 Impairment

The book values of assets are reviewed continuously to determine if there is any indication of impairment. An impairment loss is recognised in the income statement when the book value exceeds the recoverable amount. The recoverable amount is the greater of net selling price and value in use.

In determining the value in use, expected future cash flows are discounted to their estimated present values.

A previously recognised impairment loss will be reversed in so far as estimates change, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

A reversal of an impairment loss is recognised as income.

1.6 Borrowing costs

Borrowing costs that are directly attributable to qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use or sale.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

1.7 Intangibles

Restraint of trade payments are capitalised and amortised over the period of the restraint on a straight line basis.

1.8 Goodwill and negative goodwill

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill on acquisition occurring on or after 1 October 2000 is reported in the balance sheet and is amortised using the straight line method, over its estimated useful life, not exceeding twenty years.

Goodwill on acquisitions that occurred prior to 1 October 2000 was charged in full to accumulated profits. Such goodwill has not been retroactively capitalised and amortised.

Negative goodwill is recognised when the fair value of the group's share of the identifiable net assets acquired exceeds the cost of the acquisition.

To the extent that the negative goodwill relates to expected future losses and expenses, but which does not represent identifiable expected liabilities at the date of acquisition, this portion of negative goodwill is recognised in income in the income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable future losses and expenses that can be measured reliably at the date of acquisition, negative goodwill is recognised in income in the income statement as follows:

The amount of the negative goodwill relating to identifiable non-monetary assets (not exceeding the fair values of such acquired assets), is recognised in income on a systematic basis over the weighted average remaining useful lives of the depreciable assets, with a maximum of 20 years.

The amount of the negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised in income immediately.

The amount of the negative goodwill relating to monetary assets is recognised in income immediately.

1.9 Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing inventories to their present location and condition.

Cost is calculated on the first-in first-out basis and consists of direct material and labour, together with an appropriate proportion of factory overheads.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.10 Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, investments, receivables, trade payables, leases and borrowings.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Investments

Listed investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date. Cash and cash equivalents are reflected at year end bank statement balances.

1.11 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired under finance lease agreements are capitalised, at the lower of fair value and the

present value of the minimum lease payments at the inception of the lease, with the equivalent amount being shown as a liability. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement over the period of the lease and disclosed under operating expenses.
When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by the way of a penalty is recognised as an expense in the period in which termination takes place.

1.12 Employee benefits

Short term employee benefits
Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. Provision is made for accumulated leave and bonuses.

Defined contribution plans
Contributions to defined contribution pension/provident plans are recognised as expenditure in the period in which they are incurred.

Defined benefit plans
Contributions to the defined benefit plans are charged to the income statement so as to spread the cost of the benefit over the employees' expected remaining working lives.
The regular cost is attributed to individual years using the projected Unit Credit method.
Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.
Shortfalls between the amounts funded and the amounts provided for as a liability are treated as provisions in the balance sheet.

Where the calculation results in a benefit to the group, the asset recognised is limited to the net total of actuarial losses and past service costs and the present value of any future refunds or reductions in future contributions.

Actuarial gains or losses as a result of experience adjustments and/or the effects of changes in actuarial assumptions are recognised as income or expenditure over the expected average remaining working lives of the employees when the cumulative unrecognised actuarial gains or losses exceed 10% of the defined benefit obligation and fair value of the plan assets.

Past service cost is recognised immediately to the extent that the benefits are already vested, otherwise it is amortised on a straight-line basis over the expected remaining working lives of the employees.

1.13 Post retirement medical aid costs
Some group companies have obligations to provide certain post-retirement medical aid benefits to their eligible employees and pensioners. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age and completing a minimum service period. The actuarial valuation method used to value the liabilities is the Projected Unit Credit method and the full accrued actuarial liability is now recognised.
This represents a change in accounting policy. Previously the company accounted for the increase or decrease in the liability over the remaining working lives of the employees.

Actuarial gains or losses as a result of experience adjustments and/or the effects of changes in actuarial assumptions are recognised as income or expenditure systematically over the remaining service period of those employees.
Adjustments pertaining to retired employees are recognised immediately as an expense.

1.14 Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.
Employee entitlements to annual leave, annual bonuses and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability of annual leave, annual bonuses and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.15 Foreign currency

Foreign currency transactions
Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions.
Gains and losses arising from the settlement of such transactions are recognised in the income statement.
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

Foreign entities
The financial statements of foreign entities are translated into the reporting currency as follows :
- Assets and liabilities are translated at rates of exchange ruling at the financial year end; and
- Income and expenditure and cash flow items are translated at the weighted average rate of exchange during the year.

Profits and losses arising on the translation of foreign subsidiaries are taken directly to accumulated profits.

1.16 Dividends payable
Dividends payable are recognised as a liability in the period in which they are declared.

1.17 Revenue
Revenue comprises amounts invoiced for goods, services and completed contracts, excluding value added taxes. Also excluded are revenue of associated companies and group transactions relating to revenue, commission or royalties, dividends, interest received, or management and secretarial services and rental received on leasing of fixed property.

Revenue recognition
Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of value added taxes and discounts and after eliminating sales within the group.
Other revenues earned by the group are recognised on the following basis:
- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.
- Dividend income - when the shareholders' right to receive payment is established.

1.18 Taxation
The current taxation charge is based on the results for the year after adjusting for exempt income and disallowed expenditure. The charge is calculated using rates applicable at balance sheet date.

Deferred tax is provided for using the comprehensive method, at tax rates applicable at balance sheet date, providing for temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Under this method the group is required to make provision for deferred income tax on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair value of the net assets acquired and their tax bases. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for employee benefits, estimates for bad debts and tax losses carried forward.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.
Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.19 Segment reporting
The group's primary format for reporting segment information is by business segment and its secondary format is by geographical segment based on the location of its operations.

Inter-segment transfers: Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. These transfers are eliminated on consolidation.

Segment revenue and expenses: Segment revenue and expenses that are directly attributable to the segments are allocated to those segments.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment and investments, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities.
Segment assets and liabilities do not include deferred tax.

1.20 Comparative figures
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.
In particular, the comparatives have been adjusted or extended to take into account the requirements of the following revised or new accounting statements that the group has implemented in 2002.

AC116: Employee benefits
AC123: Property, plant and equipment - relating to freehold buildings
AC135: Investment property

	Group		Company	
	2002 R'000	2001 R'000	**2002 R'000**	2001 R'000
2. Changes in accounting policies				
i) Freehold buildings depreciation				
During the year the company changed its accounting policy with respect to the depreciation of freehold buildings. Previously freehold buildings were not depreciated. As from 1 October 2001 freehold buildings have been depreciated. According to AC135 the company's freehold buildings do not fall within the definition of investment properties and therefore must be depreciated in accordance with AC123 (Property, plant and equipment).				
Comparative figures have been restated.				
Decrease in net profit for the year	**(22 038)**	(16 659)		
Restatement of opening accumulated profit in respect of prior year adjustment	**(85 972)**	(69 313)		
Balance sheet				
Assets				
Non-current assets				
Property, plant and equipment	**–**	(92 190)		
Equity and reserves				
Accumulated profits	**–**	(85 972)		
Minority interest	**–**	(6 218)		
Total equity and liabilities	**–**	(92 190)		
Income statement				
Operating profit				
Depreciation	**(22 038)**	(16 659)		
ii) Post retirement medical aid				
During the year the company changed its accounting policy with respect to the treatment of post retirement medical aid liabilities, to comply with AC116. Previously the increase or decrease from one year to the next in the liability, for in-service members, was accounted for by spreading it over the expected working lives of the eligible employees. As from 1 October 2001 the company has provided for the full accrued liability as per the actuarial valuation.				
Comparative figures have been restated.				
Decrease in net profit for the year	**(14 480)**	(17 112)	**(14 480)**	(17 112)
Restatement of opening accumulated profit in respect of prior year adjustment	**(47 586)**	(30 474)	**(47 586)**	(30 474)

	Group		Company	
	2002 R'000	2001 R'000	**2002 R'000**	2001 R'000
2. Changes in accounting policies *continued*				
Balance sheet				
Equity and reserves				
Accumulated profits	**–**	(47 586)	**–**	(47 586)
Non-current liabilities				
Deferred tax	**–**	(20 394)	**–**	(20 394)
Retirement benefit obligation	**–**	67 980	**–**	67 980
Total equity and liabilities	**–**	47 586	**–**	47 586
Income statement				
Operating profit				
Post retirement medical aid contributions	**(20 686)**	(24 543)	**(20 686)**	(24 543)
Taxation				
Deferred tax	**6 206**	7 431	**6 206**	7 431
Net profit for the year	**(14 480)**	(17 112)	**(14 480)**	(17 112)
iii) Isas Trust				
During the year ended 30 September 2001 the company changed its accounting policy with respect to the treatment of special purpose entities. Previously the Mpumalanga plant held by the Isas trust was not consolidated in the group's results. As from 1 October 2000 this entity has been consolidated in African Oxygen Limited's group results in accordance with the new accounting standard AC132. Comparative figures were restated.				
Increase in net profit for the year	**–**	17 379	**–**	4 151
Income statement				
Revenue	**–**	72 204	**–**	–
Operating profit	**–**	41 138	**–**	4 151
Restraint of product reversal now investment	**–**	4 151	**–**	4 151
Isas trust operating profit	**–**	55 704	**–**	–
Depreciation	**–**	(18 717)	**–**	–
Finance costs	**–**	(18 645)	**–**	–
Profit before taxation	**–**	22 493	**–**	4 151
Income tax expense	**–**	(5 114)	**–**	–
Net profit for the year	**–**	17 379	**–**	4 151

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
3. Property, plant and equipment			
Owned			
Group			
2002			
Freehold property	1 127 914	(122 560)	1 005 354
Plant and equipment	1 803 091	(889 250)	913 841
Cylinders	560 502	(167 470)	393 032
Vehicles	229 182	(110 562)	118 620
Furniture and fittings	291 885	(176 737)	115 148
	4 012 574	**(1 466 579)**	**2 545 995**
2001			
Freehold property	781 433	(99 701)	681 732
Plant and equipment	1 589 065	(744 793)	844 272
Cylinders	453 405	(140 419)	312 986
Vehicles	191 777	(104 921)	86 856
Furniture and fittings	268 483	(158 344)	110 139
	3 284 163	(1 248 178)	2 035 985

2002	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture & fittings R'000	Total R'000
Carrying amount at beginning of year	681 732	844 272	312 986	86 856	110 139	2 035 985
Additions	30 588	169 510	103 973	48 417	22 349	374 837
Acquisition of business	303 060	46 031	–	–	5 407	354 498
Disposals	(6 830)	(3 027)	(21)	(1 351)	(126)	(11 355)
Inter asset transfers	–	2 802	(2 745)	(57)	–	–
Revaluations	16 785	(845)	–	–	–	15 940
Currency translation differences	3 266	5 134	2 081	663	145	11 289
Depreciation	(23 247)	(150 036)	(23 242)	(15 908)	(22 766)	(235 199)
Carrying amount at end of year	**1 005 354**	**913 841**	**393 032**	**118 620**	**115 148**	**2 545 995**
2001						
Carrying amount at beginning of year	726 012	881 962	287 892	98 080	105 289	2 099 235
Freehold buildings depreciation	(72 473)	–	–	–	–	(72 473)
Restated carrying amount at beginning of year	653 539	881 962	287 892	98 080	105 289	2 026 762
Additions	50 852	112 390	39 413	6 234	24 383	233 272
Acquisition of business	–	16 432	–	–	–	16 432
Disposals	(7 309)	(18 169)	(233)	(1 589)	(3 036)	(30 336)
Impairment losses	–	(1 530)	–	–	–	(1 530)
Inter asset transfers	–	(7 601)	7 574	(313)	340	–
Revaluations	627	–	–	–	–	627
Currency translation differences	(1 006)	42	(94)	(126)	42	(1 142)
Depreciation	(14 971)	(139 254)	(21 566)	(15 430)	(16 879)	(208 100)
Restated carrying amount at end of year	681 732	844 272	312 986	86 856	110 139	2 035 985

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
3. Property, plant and equipment *continued*			
Owned			
Company			
2002			
Freehold property	2 956	(1 111)	1 845
Plant and equipment	867 512	(417 071)	450 441
Cylinders	532 492	(157 267)	375 225
Vehicles	201 519	(94 091)	107 428
Furniture and fittings	130 805	(90 989)	39 816
	1 735 284	**(760 529)**	**974 755**
2001			
Freehold property	6 688	(1 041)	5 647
Plant and equipment	821 078	(364 653)	456 425
Cylinders	431 591	(132 914)	298 677
Vehicles	167 511	(91 210)	76 301
Furniture and fittings	111 503	(80 181)	31 322
	1 538 371	(669 999)	868 372

2002	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture & fittings R'000	Total R'000
Carrying amount at beginning of year	5 647	456 425	298 677	76 301	31 322	868 372
Additions	513	53 278	100 972	44 821	20 674	220 258
Disposals	(4 244)	(1 796)	(19)	(511)	(71)	(6 641)
Depreciation	(70)	(60 269)	(21 600)	(13 185)	(12 110)	(107 234)
Carrying amount at end of year	**1 846**	**447 638**	**378 030**	**107 426**	**39 815**	**974 755**
2001						
Carrying amount at beginning of year	1 395	439 334	276 575	88 404	33 219	838 927
Additions	4 290	86 196	38 320	1 861	14 097	144 764
Disposals	–	(12 309)	(233)	(762)	86	(13 218)
Impairment losses	–	(1 530)	–	–	–	(1 530)
Inter asset transfers	–	(4 079)	4 079	–	–	–
Depreciation	(38)	(51 187)	(20 064)	(13 202)	(16 080)	(100 571)
Carrying amount at end of year	5 647	456 425	298 677	76 301	31 322	868 372

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000

3. Property, plant and equipment *continued*

Impairment of property, plant and equipment

In 2001 an impairment loss was recognised against some of the group's filling plants due to their location. The location of these plants were no longer economically viable and therefore their recoverable amount had dropped below their carrying amount.

Capitalised leased assets

Group

2002			
Freehold property	86 642	(7 200)	79 442
Plant and equipment	96 625	(43 187)	53 438
Cylinders	145 915	(137 083)	8 832
Vehicles	278	(47)	231
	329 460	**(187 517)**	**141 943**
2001			
Freehold property	86 642	(5 096)	81 546
Plant and equipment	90 660	(30 870)	59 790
Cylinders	145 915	(130 669)	15 246
Vehicles	278	(47)	231
	323 495	(166 682)	156 813

2002	Freehold Property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Total R'000
Carrying amount at beginning of year	81 546	59 790	15 246	231	156 813
Additions	–	5 966	–	–	5 966
Depreciation	(2 104)	(12 317)	(6 415)	–	(20 836)
Carrying amount at end of year	**79 442**	**53 439**	**8 831**	**231**	**141 943**
2001					
Carrying amount at beginning of year	86 642	41 041	21 776	133	149 592
Change in accounting policy	(3 058)	–	–	–	(3 058)
Restated carrying amount	83 584	41 041	21 776	133	146 534
Additions	–	23 204	–	89	23 293
Currency translation differences	–	311	–	9	320
Depreciation	(2 038)	(4 766)	(6 530)	–	(13 334)
Carrying amount at end of year	81 546	59 790	15 246	231	156 813

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000

3. Property, plant and equipment *continued*

Capitalised leased assets

Company

2002			
Plant and equipment	53 000	(23 127)	29 873
Cylinders	145 915	(137 084)	8 831
	198 915	**(160 211)**	**38 704**
2001			
Plant and equipment	53 000	(20 106)	32 894
Cylinders	145 915	(130 669)	15 246
	198 915	(150 775)	48 140

2002	Plant and equipment R'000	Cylinders R'000	Total R'000
Carrying amount at beginning of year	32 894	15 246	48 140
Depreciation	(3 021)	(6 415)	(9 436)
Carrying amount at end of year	**29 873**	**8 831**	**38 704**
2001			
Carrying amount at beginning of year	35 918	21 776	57 694
Depreciation	(3 024)	(6 530)	(9 554)
Carrying amount at end of year	32 894	15 246	48 140

The group's land and buildings excluding the Healthcare and Lifecare groups were independently valued as at 1 October 2001.
The valuation has been carried out in accordance with the Property Valuers Professional Act of 2000 by registered Associated Valuers, Garth Mac Farlane and Peter Parfitt who are qualified to express an opinion thereon.
Certain land and buildings in the Healthcare group were revalued by management with effect 1 October 1997 and 31 March 1999. The basis of valuation was open market value with existing use. Certain fixed assets are encumbered as reflected in note 17.
A register of land and buildings owned by the group is available for inspection at the registered office of the company.
If the group's land and buildings were stated on the historical cost basis the amounts would be as follows :

	2 002 R'000	2 001 R'000
Cost	**978 244**	662 643
Accumulated depreciation	**(96 424)**	(75 620)
Carrying amount	**881 820**	587 023

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
4. Intangibles				
Intangibles consist of:				
Lease premiums	994	154		
Licenses	205	296		
Restraint of trade	1 885	2 499		
Closing carrying amount	3 084	2 949		
Intangibles are analysed as follows:				
Lease Premiums				
Opening carrying amount	154	–		
Additions	958	154		
Amortisation charge	(118)	–		
Closing carrying amount	994	154		
Gross carrying amount	1 112	154		
Accumulated amortisation	(118)	–		
Licenses				
Opening carrying amount	296	–		
Additions	–	296		
Amortisation charge	(91)	–		
Closing carrying amount	205	296		
Gross carrying amount	296	296		
Accumulated amortisation	(91)	–		
Restraint of trade				
Opening carrying amount	2 499	3 324		
Gross carrying amount	3 925	3 925		
Accumulated amortisation	(1 426)	(601)		
Amortisation charge	(614)	(825)		
Closing carrying amount	1 885	2 499		
Gross carrying amount	3 925	3 925		
Accumulated amortisation	(2 040)	(1 426)		
5. Goodwill				
Opening carrying amount	13 300	–	–	–
Gross carrying amount	15 034	–	–	–
Accumulated amortisation	(1 734)	–	–	–
Additions	98 302	15 034	780	–
Amortisation charge	(5 916)	(1 734)	(7)	–
Closing carrying amount	105 686	13 300	773	–
Gross carrying amount	113 336	15 034	780	–
Accumulated amortisation	(7 650)	(1 734)	(7)	–

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
6. Investments in subsidiaries				
Ordinary shares			609 598	695 013
Loans owing by subsidiaries			77 664	85 287
			687 262	780 300
Loans owing to subsidiaries			(314 779)	(349 261)
			372 483	431 039
Provision for impairment loss			(35 770)	(35 770)
Net investment in subsidiaries			336 713	395 269
Details of subsidiaries are presented on page 94				
7. Investments in associates				
Unlisted ordinary shares	17 728	49 828		
Opening balance	49 828	51 523		
Increasing interest in associates to maintain shareholding	–	741		
Acquired through investment in subsidiary	–	473		
Increasing interest in associate to subsidiary level	(32 100)	(2 909)		
Indebtedness	34 967	54 316		
Share of accumulated profits since acquisition	43 824	43 546		
Share of opening accumulated profits	43 546	20 373		
Share of current profit for the year	19 230	20 874		
Increasing interest in associates to subsidiary level	(18 952)	–		
Disposal of associate interests	–	2 299		
Carrying amount at end of year	96 519	147 690		
Directors' valuation of shares	61 552	93 374		
The aggregate assets, liabilities and results of operations of associate companies are summarised as follows:				
Income statement				
Revenue	507 357	785 804		
Profit before taxation	85 959	87 797		
Income tax expense	(18 734)	(24 266)		
Net profit for the year	67 225	63 531		

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
7. Investments in associates *continued*				
Balance sheet				
Non–current assets	197 846	657 948		
Current assets	135 692	233 234		
Total assets	333 538	891 182		
Capital and reserves	157 548	341 889		
Non–current liabilities	102 001	402 106		
Current liabilities	73 989	147 187		
Total equity and liabilities	333 538	891 182		
Cash flow				
Net cash flow from operating activities	(1 408)	110 271		
Net cash flow from investing activities	32 658	(52 950)		
Net cash flow from financing activities	(36 445)	(38 522)		
Net movement in cash and cash equivalents	(5 195)	18 799		
Capital commitments				
Approved not yet contracted for	6 855	25 327		

Details of the associates are presented on page 95
The group's share of profits or losses is determined by reference to the audited financial statements of associated companies at 28 February 2002 and 30 September 2002.
Management results up to 31 August 2002 have been included for all companies with 28 February 2002 year ends.
There have been no material transactions in the period between August 2002 and the year end 30 September 2002.

8. Other investments				
Unlisted	16 713	25 815	15 391	13 082
Opening carrying amount	25 815	31 033	13 082	9 169
Disposals	(2 170)	(9 131)	(2 717)	–
Acquisitions	6 148	2 000	5 026	2 000
Loans/advances	–	1 913	–	1 913
Reclassification	(9 017)	–	–	–
Increasing interest to subsidiary level	(4 063)	–	–	–
Endowment policy to repay bond	16 222	–	–	–
Investment in joint venture	–	–	2 717	–
Net other investments	32 935	25 815	18 108	13 082
Directors' valuation (excluding the endowment policy)	16 713	25 815	18 108	13 082

Details of other investments are presented on page 95

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
9. Joint ventures				
The group holds indirectly the following interests in joint ventures:				
East Rand Oncology Unit	48%	48%		
West Rand Oncology Unit	40%	40%		
St George's Linac	40%	50%		
Hospital Medical Systems	62%	62%		
Brenthurst MRI	70%	70%		
Brenthurst Equipment Trust 1	50%	0%		
Brenthurst Equipment Trust 2	30%	0%		
Flora Renal Unit	75%	0%		
Boldprops 102 (Pty) Ltd	50%	0%		
MOCOH Gas Madagascar SARL	50%	0%		
The consolidated results include the following amounts relating to the group's interest in joint ventures:				
Income statement				
Revenue	54 282	49 149		
Net profit before taxation	32 402	32 332		
Income tax expense	(8)	–		
Net profit for the year	32 394	32 332		
Balance sheet				
Non-current assets	22 528	18 984		
Current assets	16 136	12 726		
Total assets	38 664	31 710		
Capital and reserves	32 340	20 397		
Non–current liabilities	1 195	6 191		
Current liabilities	5 129	5 122		
Total equity and liabilities	38 664	31 710		
Cash flow				
Net cash flow from operating activities	31 637	37 983		
Net cash flow from investing activities	(6 289)	1 111		
Net cash flow from financing activities	(26 382)	(36 626)		
Net movement in cash and cash equivalents	(1 034)	2 468		

The group's interest in capital commitments for the joint ventures are R960 000 (2001:R96 000)

	Group		Company	
	2002 R'000	2001 R'000	**2002 R'000**	2001 R'000
10. Non–current receivables				
Afrox Healthcare				
Loans receivable	**30 060**	23 989		
Other loans	**–**	34		
	30 060	24 023		

The Afrox Healthcare loans are unsecured, bear interest at rates linked to the prime bank overdraft rate and are repayable between two and five years.

11. Retirement benefit obligation

i) Pension and provident funds

The group has nine pension funds and 22 provident funds. All employees are required to belong to either a defined benefit fund or a defined contribution fund. Six of the pension funds are defined benefit funds and the remaining pension and provident funds are defined contribution funds.
The funds are administered on behalf of the group by external finance service companies and trustees and are governed by the Pension Fund Act of 1956.

Actuarial valuations are done for each defined benefit fund in accordance with their respective pension fund rules. The defined contribution pension and provident funds do not require an actuarial valuation, however a financial review is carried out annually, to determine the fund's solvency.
The defined benefit funds are actuarially valued using the projected unit credit method.
All the defined benefit funds are closed to new members.

The assets of all the schemes are held in administered funds separate from the group's assets.

At the time of the valuations all the funds were certified by the reporting actuaries as being in a sound financial position, subject to the continuation of their current contribution rates. In arriving at their conclusions, the actuaries took into account the following assumptions at the date of the valuation:

The following actuarial assumptions were applied:	**2002**	**2001**
Discount rate (%)	**12,0**	10,0
Consumer price inflation (%)	**7,0**	5,0
Expected return on assets (%)	**11,5**	9,5
Compensation increase rate (%)	**9,5**	7,5
Pension increase rate (%):		
African Oxygen Ltd Pension Fund	**6,8**	4,8
Afrox Healthcare Pension Fund	**6,0**	5,6
Lifecare Group Holdings Pension Fund	**5,3**	5,0
Lifecare Clinics Pension Fund	**5,3**	5,0
Other Healthcare Pension Funds	**4,0**	4,0

11. Retirement benefit obligation *continued*

The group's obligation in respect of retirement benefits as measured in terms of AC116 is tabled below:

	African Oxygen Ltd Pension Fund R'000	**Afrox Healthcare Pension Fund R'000**	**Lifecare Group Pension Fund R'000**	**Lifecare Clinics Pension Fund R'000**	**Other Healthcare Pension Funds R'000**
Amounts recognised in the balance sheet are as follows:					
Fair value of plan assets	1 001 273	173 843	107 272	18 929	15 238
Benefit obligation	885 730	96 755	50 122	13 228	15 675
Funded status	115 543	77 088	57 150	5 701	(437)
Unrecognised actuarial (gain)/loss	(8 808)	–	–	–	937
	106 735	77 088	57 150	5 701	500
Paragraph 59 limit	(106 735)	(77 088)	(57 150)	(5 701)	(500)
Net balance per balance sheet at 30 September 2002	**–**	**–**	**–**	**–**	**–**
Movements in the net liability recognised in the balance sheet are as follows:					
Net liability at beginning of year	–	–	–	–	205
Net expense recognised in the income statement	14 099	2 472	1 374	855	683
Company contributions	(14 099)	(2 472)	(1 374)	(855)	(888)
Net liability at end of year	–	–	–	–	–
Amounts recognised in the income statement are as follows:					
Current service cost	23 320	3 439	1 833	662	597
Interest on obligation	77 889	16 958	11 386	1 938	1 635
Net actuarial losses/(gains) recognised in the year	–	(1 022)	(486)	204	(66)
Expected return on plan assets	(82 845)	(16 903)	(11 359)	(1 949)	(1 627)
	18 364	2 472	1 374	855	539
Paragraph 59 limit	(4 265)	–	–	–	144
Total included in staff costs	**14 099**	**2 472**	**1 374**	**855**	**683**
Actual return on defined benefit plan assets					
Expected return on defined benefit plan assets	82 845	16 903	11 359	1 949	1 627
Actual return on defined benefit plan assets	160 376	27 449	10 113	1 647	1 638
Actuarial (gain)/loss on defined benefit plan assets	(77 531)	(10 546)	1 246	302	(11)
Net unrecognised actuarial (gain)/loss					
Actuarial loss on defined benefit obligation	61 991				1 026
Actuarial gain on plan assets	(70 799)				(89)
Net unrecognised actuarial (gain)/loss	(8 808)				937

11. Retirement benefit obligation *continued*

The actuarial surplus disclosed in this note is calculated in accordance with AC116 and is for accounting purposes only. No asset is recognised in respect of the surplus as the apportionment of the surplus still needs to be approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act 39 of 2001.

ii) Post - retirement medical benefits

Group and company

African Oxygen Ltd has a liability arising as a result of a post-employment subsidy of healthcare benefits.

Members of certain medical aid plans, who joined the company before 1 November 1996 and remain in the employment of Afrox until retirement, are eligible for a post-retirement subsidy of their medical aid contributions. The plan assets have not been shown in Afrox's books as these assets are held in a separate Benefit Fund. Afrox does however contribute towards this Benefit Fund.
Afrox's contributions to this fund have been disclosed below.

The following actuarial assumptions were applied:

	2002	2001
Discount rate (%)	12	11,5
Consumer price inflation (%)	7	6,5
Healthcare cost inflation (%)	10	9,5

The group's obligation in respect of this post-retirement medical aid benefit as measured in terms of AC116 are tabled below:

Amounts recognised in the balance sheet are as follows:

Contributions to Benefit Fund at 1 October 2001	92 849	66 538
Benefit obligation at 1 October 2001	(150 480)	(113 248)
Net liability at 1 October 2001	(57 631)	(46 710)
Net expense recognised in the income statement	(20 686)	(30 252)
Benefits paid	–	(6 980)
Additional contributions to Benefit Fund	387	26 311
Net liability at 30 September 2002 as per balance sheet	(77 930)	(57 631)

11. Retirement benefit obligation *continued*

	2002	2001
Movements in the benefit obligation recognised in the balance sheet are as follows:		
Projected benefit obligation as at 1 October 2001	82 500	69 811
Change in accounting policy	67 980	43 437
Restated projected benefit obligation as at 1 October 2001	150 480	113 248
Service cost	2 623	13 643
Interest cost	18 063	16 609
Benefits paid	–	6 980
Benefit obligation as at 30 September 2002	171 166	150 480
Movements in the contributions to the Benefit Fund recognised in the balance sheet as follows:		
Contributions to Benefit Fund 1 October 2001	92 849	66 538
Additional contributions	387	26 311
Contributions to Benefit Fund 30 September 2002	93 236	92 849
Retirement benefit obligation recognised in the balance sheet:		
Contributions to Benefit Fund 30 September 2002	93 236	92 849
Benefit obligation as at 30 September 2002	(171 166)	(150 480)
Retirement benefit obligation 30 September 2002	(77 930)	(57 631)
Amounts recognised in the income statement are as follows:		
Current service cost	2 623	13 643
Interest on obligation	18 063	16 609
Total included in staff costs	20 686	30 252

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
12. Deferred tax				
Capital allowances	191 166	199 652	125 446	123 966
Provisions and other	(57 409)	(48 829)	(23 963)	(14 151)
	133 757	150 823	101 483	109 815
Reconciliation of deferred tax				
Opening balance	150 823	177 648	109 815	126 814
Change in accounting policy	–	(12 963)	–	(12 963)
Restated opening balance	150 823	164 685	109 815	113 851
Timing differences:				
Capital allowances	(8 485)	(19 022)	1 480	(1 917)
Provisions and other	(8 581)	5 160	(9 812)	(2 119)
Closing Balance	133 757	150 823	101 483	109 815
Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefit is probable. The group has tax losses of R167 493 412 (2001: R156 945 000) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties.				
Deferred tax asset	(32 621)	(28 348)	–	–
Deferred tax liability	166 378	179 171	101 483	109 815
	133 757	150 823	101 483	109 815
13. Inventories				
Raw materials	41 409	29 072	31 987	24 502
Work in progress	7 080	5 527	4 758	2 280
Finished goods (includes medical consumables)	355 830	315 724	163 374	145 703
	404 319	350 323	200 119	172 485
Stock carried at net realisable value				
At net realisable value	30 576	18 878	30 576	18 878
At cost	34 690	21 368	34 690	21 368

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
14. Trade and other receivables				
Trade receivables	1 037 634	871 882	331 105	357 107
Other receivables	91 775	109 875	69 061	64 175
Prepayments	34 704	36 380	11 837	26 373
Deposits	1 937	1 016	1 681	757
Accrued income	16 250	72	14 908	72
Staff loans	19 717	17 969	9 906	12 507
	1 202 017	1 037 194	438 498	460 991

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables, based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

15. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash on hand and favourable balances with banks	79 987	46 994
Bank overdrafts	(28 785)	–
	51 202	46 994

16. Share capital and share premium

Group and company

Authorised

Ordinary shares - 350 000 000 of 5 cents each	17 500	17 500	17 500	17 500

Issued	**Number of shares**	**Ordinary shares R'000**	**Share Premium R'000**	**Total R'000**
At 30 September 2000	318 488 148	15 924	221 642	237 566
Issue of shares in lieu of dividend	7 053 808	353	77 114	77 467
At 30 September 2001	325 541 956	16 277	298 756	315 033
Issue of shares in lieu of dividend	4 758 852	238	61 722	61 960
At 30 September 2002	**330 300 808**	**16 515**	**360 478**	**376 993**

The unissued shares remain under the control of the directors until the next annual general meeting subject to the provisions of section 221 and 222 of the Companies Act of 1973 as amended and the rules and directives of the JSE Securities Exchange respectively.

All issued shares are fully paid

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
17. Interest bearing borrowings				
Secured loans	520 670	240 965	–	–
Unsecured loans	147 742	325 050	147 742	329 690
Finance leases (excluding property)	6 132	32 693	–	5 595
	674 544	598 708	147 742	335 285
Less: current portion of interest bearing borrowings	(194 492)	(205 102)	(29 432)	(166 038)
	480 052	393 606	118 310	169 247
Analysis				
United States Dollar	81 813	549 103	–	405 000
South African Rand	398 239	(155 497)	118 310	(235 753)
	480 052	393 606	118 310	169 247

	Date of final repayment	2002 & 2001 %	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
Secured loans						
i) Mortgage bond, half yearly repayments in arrears of R6 101 662 (2001:R5 649 687) and escalating at 8% p.a - variable interest rate. Secured by mortgage bond over remainder of erf 146818, Mowbray, Cape Town, with book value of R75 431 000 (2001: R77 442 000)	9/2010	15,50	70 602	71 185		
ii) *Mortgage bond*, monthly repayments in arrears of R1 246 979 - variable interest rate. Secured by mortgage bond over certain land and buildings in the Amahosp group with a book value of R202 527 986	10/2014	16	105 749	–		
iii) *Mortgage bond*, monthly repayments in advance of R620 000 - variable interest rate. Secured by mortgage bond over remainder of erf 1131, 1132, 1133, Die Wilgers Ext 14, Pretoria with book value of R94 973 853	11/2009	16	51 473	–		

17. Interest bearing borrowings *continued*

	Date of final repayment	2002 & 2001 %	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
iv) *Other Mortgage bonds*, average monthly repayments of R313 500 (2001: R290 480). Secured by mortgage bonds over fixed properties, with book values of R25 478 000 (2001: R26 067 000)		Prime	25 339	25 680		
v) *Loan*		Money market	115 000	–		
vi) *Instalment sales* Secured by instalment sale agreement over plant and machinery, having a book value of R220 083 497 (2001:R244 113 280) Repayable in bi-annual instalments of R24 061 098 (2001: R23 698 895) and monthly instalments of R1 284 000 (2001: R930 000)		Prime	141 227	144 100		
vii) Loans Instalments are stipulated in a sale of share agreement and are secured by the company in terms of the agreement.	09/2006	Prime	11 280	–		
			520 670	240 965		
Less: current portion of interest bearing borrowings			(161 647)	(34 262)		
			359 023	206 703		
Minimum repayments of secured borrowings:						
One to two years			161 647	34 262		
Two to five years			169 402	148 800		
Longer than five years			189 621	57 903		
			520 670	240 965		
Unsecured loans						
In full on repayment date, with interest	5/2002	15.42	–	177 407	–	177 407
In full on repayment date, interest half-yearly in arrears	10/2005	16.16	20 000	20 000	20 000	20 000
In half yearly repayments with interest	12/2005	9.18	149 307	183 831	149 307	183 831
Loans with maturity dates within one year			(21 565)	(56 188)	(21 565)	(51 548)
			147 742	325 050	147 742	329 690
Less: current portion of interest bearing borrowings			(29 432)	(155 803)	(29 432)	(160 443)
			118 310	169 247	118 310	169 247
Minimum repayments of unsecured borrowings:						
One to two years			29 432	155 803	29 432	160 443
Two to five years			118 310	169 247	118 310	169 247
			147 742	325 050	147 742	329 690

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
17. Interest bearing borrowings *continued*				
Finance leases (excluding property)				
The future minimum payments under finance leases at fixed interest rates, half-yearly in arrears and advance at 12,5 and 17 percent are as follows:				
Repayable before 30 September				
2002	–	15 037	–	5 595
2003	3 413	7 855	–	–
2004	2 719	5 288	–	–
Thereafter	–	4 513	–	–
	6 132	32 693	–	5 595
Less: current portion of interest bearing borrowings	(3 413)	(15 037)	–	(5 595)
	2 719	17 656	–	–
18. Property finance leases				
The future minimum payments under property finance leases at fixed interest rates, half-yearly in arrears and advance at 16,28 and 15.42 percent, are as follows:				
Repayable before 30 September				
2002	–	5 174		
2003	6 575	7 598		
2004	10 557	10 560		
2005	14 164	14 164		
2006	18 529	18 528		
Thereafter	27 063	25 734		
	76 888	81 758		
Less: current portion of interest bearing borrowings	(6 575)	(5 174)		
	70 313	76 584		
19. Trade and other payables				
Trade payables	581 834	526 605	186 833	153 850
Cylinder deposits	41 220	43 744	25 238	31 291
Value added taxation	26 352	14 109	1 469	3 226
Interest accrual	21 325	34 534	18 694	34 534
Other payables	260 820	154 379	108 010	66 431
	931 551	773 371	340 244	289 332

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
20. Provisions				
Employee benefits (bonuses and leave pay)	113 347	108 209	25 766	24 044
Movement in provisions:				
Additional provisions	94 669	78 693	36 620	34 997
Amounts utilised	(96 103)	(72 232)	(34 898)	(33 371)
Provisions acquired through acquisition of subsidiaries	6 572	11 820	–	–
Movement for the year	5 138	18 281	1 722	1 626
Balance at beginning of the year	108 209	89 928	24 044	22 418
Balance at end of the year	113 347	108 209	25 766	24 044

21. Foreign currency exposure

Loans

In terms of the group's policy, all material foreign currency loans are covered under forward exchange contracts. As a result, the group did not incur any major currency losses or profits during the year on such loans. A subsidiary in the group has an uncovered rand transaction exposure of R2 714 000 at 30 September 2002.

Trade exposure

The group has entered into certain forward contracts, which do not relate to specific items in the balance sheet, but which were entered into to cover foreign commitments not yet due and proceeds which are not yet receivable. The contracts will be utilised for purposes of trade during 2003 and interest commitments. Details of significant contracts are as follows:

	2002			2001		
	Foreign amount '000	Average rate	Rand amount '000	Foreign amount '000	Average rate	Rand amount '000
Imports						
German mark	–	–	–	1 259	3.6	4 555
US dollars	3 316	10.9	36 048	4 961	8.2	40 640
Italian lira	–	–	–	2 278 765	0.0	8 277
British pounds	1 736	16.5	28 649	1 269	11.6	14 750
Austrian shillings	–	–	–	948	0.5	480
French franks	–	–	–	871	1.1	941
Australian dollars	87	5.8	501	170	4.2	722
Euro	4 850	10.5	51 153	2 839	7.1	20 180
Swedish Krone	1 533	1.2	1 784	–	–	–
Other	–	–	837	–	–	870
			118 972			91 415
Exports						
US dollars	1 140	10.7	12 227	974	8.5	8 237
British pounds	41	16.5	677	33	11.9	394
Australian dollars	365	6.0	2 172	746	4.4	3 246
Other	–	–	121	–	–	154
			15 197			12 031

22. Dividends and Capitalisation share award

As per AC107 (Post balance sheet events) the dividend is not provided for in the income statement until it has been declared, therefore the final dividend has been shown for information purposes only.

23. Related party transactions

Details on the shareholders of the company are disclosed on page 46 (Shareholders' profile). Investments in subsidiaries, associated companies and trade investments are detailed on pages 94 and 95.
Directors' emoluments are disclosed in note 33.
The ultimate holding company of African Oxygen Ltd is The BOC Group plc incorporated in England.
The directors are listed in the directors' report.
No loans were made to or received from any director.

	2002 R'000	2001 R'000
Material related party transactions		
Dividend received :		
African Oxygen Unit Trust	–	6 692
Lez Gas Industriels Limited	–	774
Technical aid fee:		
Paid to The BOC Group plc	(11 513)	(11 131)
Received from Les Gaz Industriels Limited	30	42
Received from Liquid Air Seychelles	605	–
Revenue from sale of goods:		
BOC Kenya	3 965	2 433
Les Gaz Industriels Limited	2 127	1 299
BOC Nigeria	841	163
Liquid Air Seychelles	389	250
BOC Zimbabwe	18 047	12 772
BOC Australia	21 264	13 551
BOC New Zealand	1 306	977
These transactions are at arm's length.		
Amounts outstanding on trade receivables:		
BOC Kenya	1 487	1 500
BOC Zimbabwe	435	1 814
BOC Australia	1 927	2 962
BOC New Zealand	118	230
Amounts outstanding on trade payables:		
BOC Windlesham	2 878	3 158
UK Gases	4 772	871
US Gases	3 636	1 315
Cash dividends paid to holding company	56 830	49 505
Shares issued to holding company in lieu of dividend (no of shares)	3 519 387	3 079 333

	Note	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
24. Commitments					
Capital expenditure					
Contracted		150 714	60 687	54 714	42 400
Authorised by the directors, but not yet contracted for		482 409	370 948	137 009	70 800
Total future capital expenditure		633 123	431 635	191 723	113 200

It is intended to finance capital expenditure from surpluses generated and borrowing facilities available.

25. Financial instruments

Foreign currency - refer to note 21.

Interest rate risk

The group is exposed to interest rate risk as it borrows funds at fixed and variable rates from financial institutions. It also places funds at institutions at variable and fixed rates. The risk is managed by maintaining an appropriate mix between fixed and variable rates at different financial institutions.

The group's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at the balance sheet date are:

30 September 2002	Weighted average effective interest rate %	Floating interest rate R'000	Fixed interest rate maturing 1 year or less R'000	1 to 5 years R'000	Over 5 years R'000	Non-interest bearing R'000	Total R'000
Assets							
Cash and cash equivalents	13.0	51 202	–	–	–	–	51 202
Trade and other receivables	–	–	–	–	–	1 202 017	1 202 017
Non–current assets	17.0	30 060	–	–	–	108 770	138 830
Investments in associates and trade investments	14.2	34 967	–	–	–	94 487	129 454
Total financial assets		116 229	–	–	–	1 405 274	1 521 503
Liabilities							
Trade and other payables	–	–	–	–	–	931 551	931 551
Current portion of interest bearing borrowings	12.8	131 409	69 658	–	–	–	201 067
Property finance lease	15.9	–	–	70 108	205	–	70 313
Interest bearing borrowings	9.6	234 205	–	175 245	70 602	–	480 052
Total financial liabilities		365 614	69 658	245 353	70 807	931 551	1 682 983
Net financial assets/(liabilities)		(249 385)	(69 658)	(245 353)	(70 807)	473 723	(161 480)
30 September 2001							
Total financial assets		101 310	–	–	–	1 196 655	1 297 965
Total financial liabilities		(352 647)	639 645	309 830	83 638	773 372	1 453 838
Net financial assets/(liabilities)		453 957	(639 645)	(309 830)	(83 638)	423 283	(155 873)

25. Financial instruments *continued*

Interest rate swap

A company in the group has entered into an interest rate swap contract that entitles it to receive interest at floating rates on notional principal amounts and obliges them to pay interest at fixed rates on the same amounts.
The interest rate swaps allow the company to raise long-term borrowings at floating rates and effectively swap them into fixed rates that are lower than those available to the company if fixed rate borrowings were made directly.
Under the interest rate swaps, the entity agrees with the counter party to exchange at half yearly intervals the difference between the fixed rate and the floating rate calculated by reference to the agreed notional principal amount.
At 30 September the fixed interest rate was 15,5% (2001:15,5%) and the floating rate 10,73% (2001:9,02%).
The floating rate is linked to the 6 month Johannesburg Inter Bank Rate.

The remaining terms and notional principal amount of the outstanding contract at the balance sheet date are:

	2002 R'000	2001 R'000
Less than one year	1 627	488
One to five years	32 108	23 691
Five to ten years	36 867	47 006
	70 602	71 185

The contract expires 30 September 2010.

Loans receivable

Loans to associates and trade investments included in notes 7&8 bear interest at variable rates linked to the prime bank overdraft rate and have no fixed repayment terms.
Non-current receivables bear interest at prime related rates and are repayable over periods of between two and five years.

Bank loans

Bank loans are with reputable banking institutions and all repayment and security details are included in note 17.

Credit risk

Financial assets that potentially subject the group to concentrations of credit risk consist principally of cash and cash equivalents, investments in associates, trade receivables and non-current receivables.

The group's cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to a large customer base, spread across various geographical areas and industries.

The financial condition of the customers in relation to their credit standing is evaluated on an ongoing basis. The group has no significant exposure to any single customer or counter party that is of major concern.

The carrying amounts of financial assets included in the balance sheet represents the group's exposure to credit risk in relation to these assets. At 30 September 2002 the group did not consider there to be a significant concentration of credit risk that has not been adequately provided for.

Liquidity risk management

The group manages liquidity risk by utilising a central treasury function and monitoring forecasted cash flows. The group's borrowing powers are determined by the board of directors.

Fair values

The carrying values of cash resources, trade receivables, trade payables, accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.
The fair values of other long-term assets and long-term liabilities are not significantly different to their carrying values. The fair values of investments in associates are presented in note 7.

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
26. Revenue				
Sale of goods	3 959 012	3 085 519	2 066 889	1 721 924
Revenue from services	2 552 498	2 153 855	–	–
	6 511 510	5 239 374	2 066 889	1 721 924
27. Profit from operations				
Profit from operations is shown after taking the following into account:				
Income				
Dividends received from subsidiaries - listed	–	–	66 940	18 327
Dividends received from subsidiaries - unlisted	–	–	48 979	43 684
Dividends received from associates	1 665	863	–	–
Dividends received from third parties	–	10 368	–	7 466
Profit on disposal of property, plant and equipment	2 622	–	–	–
Management fees from subsidiaries	–	–	19 324	15 987
Foreign exchange gains	11 788	4 246	6 014	4 448
Expenses				
Auditors' remuneration	5 527	5 712	970	835
Audit fees - current	5 759	5 862	1 202	1 185
- prior year over provision	(232)	(350)	(232)	(350)
Fees for other services	2 250	200	–	–
Less: amount paid for other services capitalised against investments	(2 250)	–	–	–
Amortisation of goodwill	5 916	1 734	7	-
Amortisation of intangibles	823	825	–	–
Depreciation of property, plant and equipment	256 035	221 434	116 670	110 125
Freehold properties	23 247	14 971	70	38
Plant and equipment	150 036	139 254	60 269	51 187
Cylinders	23 242	21 566	21 600	20 064
Vehicles	15 908	15 430	13 185	13 202
Furniture and fittings	22 766	16 879	12 110	16 080
Capitalised leased assets	20 836	13 334	9 436	9 554
Operating lease charges	142 171	96 535	20 456	20 368
Property	121 856	83 739	14 497	13 256
Equipment	20 315	12 796	5 959	7 112
Directors' emoluments			4 990	2 519
Executives				
For services as directors			4 726	2 253
Non-executives				
Fees			198	200
Pension paid to former directors			66	66

For a detailed breakdown of the directors' emoluments see note 33.

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
27. Profit from operations *continued*				
Staff costs	1 709 796	1 263 115	460 602	402 072
Wages and salaries	1 561 452	1 136 150	395 859	350 121
Pension costs - defined benefit and defined contribution plan expenses	31 866	25 541	18 072	10 540
Pension costs - pension holiday	(3 973)	(15 333)	(3 973)	(15 333)
Provident costs - defined contributions	48 646	41 543	16 426	14 656
Medical aid current contribution for employees	51 119	44 962	13 532	11 836
Post retirement medical aid shortfall for in-service members	–	5 709	–	5 709
Post retirement medical aid accrual	20 686	24 543	20 686	24 543
Loss on disposal of property, plant and equipment	–	1 569	1 075	1 510
28. Exceptional items				
Closure of unit trust	–	47 702	–	47 702
Impairment losses recognised	–	(20 161)	–	(22 960)
A subsidiary's indebtedness to the holding company exceeded the net asset value of the subsidiary due to losses incurred. This subsidiary is reported in the ISP segment. The holding company's investment in the subsidiary was written down to the net realisable value of the subsidiary.	–	(16 614)	–	(19 413)
A loan was made to a business venture. This loan was for the development of a new gas application. This venture was unsuccessful requiring the write down of the loan to the net realisable value in the business venture. This valuation was done by an independent valuer. This loan is reported in the PGS segment.	–	(2 017)	–	(2 017)
An impairment loss has been recognised against some of the group's filling plants due to their location. The location of these plants are no longer economically viable and therefore their recoverable amount has dropped below their carrying amount. These filling plants were reported in the ISP segment.	–	(1 530)	–	(1 530)
Bid costs - during the takeover bid in 2000 the executives were offered stay-bonuses which have now been paid out.	(4 567)	–	(4 567)	–
Restructuring costs	–	(3 773)	–	(3 590)
Effect of the exercise of options, by a shareholder of a subsidiary company	(10 466)	–	28 400	–
	(15 033)	23 768	23 833	21 152

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
29. Finance costs				
Interest paid:				
On borrowings	164 795	166 573	93 037	113 558
On finance leases (excluding properties)	5 766	6 847	5 766	6 847
On finance leases (properties)	12 805	13 446	–	–
	183 366	186 866	98 803	120 405
Interest received	(26 091)	(40 633)	(9 485)	(15 042)
	157 275	146 233	89 318	105 363

30. Operating leases

The group leases certain of its property, plant and equipment in terms of operating leases.

	Total future minimum lease payments under non-cancellable operating leases			
Not later than 1 year	88 772	78 222	4 418	4 134
Between 1 and 5 years	458 188	404 979	12 999	17 417
Later than 5 years	260 218	86 024	–	–
	807 178	569 225	17 417	21 551

31. Income tax expense				
S.A normal taxation	229 267	167 257	75 291	53 722
Current	239 284	173 218	83 623	57 758
Associate company's taxation	7 909	9 589	–	–
Deferred	(17 926)	(15 550)	(8 332)	(4 036)
Secondary taxation on companies	14 751	14 302	1 881	–
Net receipt flowing from participation in vesting trust	–	–	(12 666)	(8 178)
	244 018	181 559	64 506	45 544
Reconciliation of taxation charge				
Profit before taxation	751 307	602 025	330 218	209 865
Taxation calculated at a tax rate of 30%	225 392	180 608	99 065	62 960
Income not subject to taxation	(7 576)	(32 106)	(47 492)	(38 906)
Prior year adjustments	(5 606)	(4 526)	(3 562)	–
Expenses not deductible for taxation purposes	18 625	17 156	12 236	18 157
Unprovided timing differences	(3 945)	2 724	–	(69)
Effect of non-resident shareholders' taxation	2 377	3 401	2 378	3 402
Secondary taxation on companies	14 751	14 302	1 881	–
Income tax expense	244 018	181 559	64 506	45 544
Effective tax rate	32,5	30,2	20,0	22,0

	Group		Company	
	2002 R'000	2001 R'000	**2002 R'000**	2001 R'000

31. Income tax expense *continued*

The company participates in a vesting trust for the supply of gases to third parties. The trust will contribute to the beneficiary, amounts which equate to the taxation charge relating to the taxable benefit from participation. In these circumstances, receipts from the trust are treated as a taxation credit.

Subsidiaries within the group have estimated tax losses of R169 621 115 (2001: R141 520 000) available to be offset against future taxable income.

32. Earnings and headline earnings per share

Earnings per share are calculated on earnings of R390 249 199 (2001: R330 172 000) and a weighted average number of ordinary shares of 326 363 347 (2001: 320 827 820) in issue during the year.

Headline earnings per share are calculated on headline earnings of R407 206 000 (2001: R302 497 000) and a weighted average number of ordinary shares of 326 363 347 (2001: 320 827 820) in issue during the year.

Reconciliation of the weighted average number of ordinary shares				
Balance at beginning of year	**325 541 956**	318 488 148		
Shares issued in lieu of dividend (24 January 2001)	**–**	1 653 182		
Shares issued in lieu of dividend (29 July 2002)	**821 391**	686 490		
	326 363 347	320 827 820		
Reconciliation between earnings and headline earnings				
Net profit/earnings for the year	**390 249**	330 172	**265 712**	164 321
Adjustments for:				
Exceptional items	**15 033**	(23 768)	**(23 833)**	(21 152)
Closure of unit trust	**–**	(47 702)	**–**	(47 702)
Impairment of assets	**–**	20 161	**–**	22 960
Bid costs	**4 567**	–	**4 567**	–
Restructuring costs	**–**	3 773	**–**	3 590
Effect of the exercise of options, by a shareholder of a subsidiary company	**10 466**	–	**(28 400)**	–
Taxation effect of exceptional items	**(1 370)**	(7 210)	**(1 370)**	(7 155)
Add back goodwill amortised	**5 916**	1 734	**7**	–
(Profit)/loss on disposal of property, plant and equipment	**(2 622)**	1 569	**1 075**	1 510
Headline earnings	**407 206**	302 497	**241 591**	137 524

33. Directors' emoluments (R'000)

Name	Months paid 2002	Fees	Remun-eration	Retirement, Medical	Perfor-mance Bonus	Benefits & allow-ances	2002 Total
Non-executive directors							
Current							
L A Macnair		61	–	–	–	–	61
G S Sibiya		39	–	–	–	–	39
C B Strauss		45	–	–	–	–	45
R G Cottrell		53	–	–	–	–	53
Former							
S D O Grady		–	–	25	–	–	25
H P De Villiers		–	–	25	–	–	25
I G Halliday		–	–	6	–	–	6
J J Kitshoff		–	–	10	–	–	10
		198	–	66	–	–	264
Executive directors							
J Marriott	8	–	628	69	848	1 144	2 689
R Hogben	12	–	875	95	774	293	2 037
		–	1 503	164	1 622	1 437	4 726
Total emoluments		**198**	**1 503**	**230**	**1 622**	**1 437**	**4 990**
Executive director paid by subsidiary in which he is the managing director							
C M D Flemming	11		604	64	554	249	1 471

The above director, as part of the Afrox Healthcare group was entitled to share options and has realised R113 000 in the current year.

Non-executive director paid by a subsidiary
R G Cottrell 49

The above executive directors have the following share appreciation rights:

	2002	
	Vested No of rights	**Non-vested No of rights**
J Marriott	148 500	60 000
R Hogben	67 500	106 750
C M D Flemming	84 000	42 000
	300 000	208 750

Non-executive directors do not participate in the group's incentive programmes, nor is their remuneration pensionable.

Shareholding of directors	**Beneficial**	**Non-beneficial**
Non-executive independent directors		
L A Macnair	84	
G S Sibiya	52	
Non-executive directors		
J Walsh (chairman)		100
N Deeming		100
T Isaac		1 035
G Sedgwick		1 017
R Médori		1 035

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
34. Reconciliation of net profit before taxation to cash generated from operations				
Profit before taxation	751 307	602 025	330 218	209 865
Adjustments for:				
Depreciation	256 035	221 434	116 670	110 125
Foreign exchange loss	4 845	837	–	–
Other reserve movements	(2 195)	7 080	–	366
Reversal of income from associates	(27 139)	(30 465)	–	–
(Profit)/loss on disposal of property, plant and equipment	(2 622)	1 569	1 075	1 510
Loss on closure of filling plants	–	(1 530)	–	(1 530)
Loss on written off of loan	–	(2 017)	–	(2 017)
Impairment losses	–	20 161	–	22 960
Unit trust closure	–	(47 702)	–	(47 702)
Amortisation of goodwill	5 916	1 734	7	–
Amortisation of intangibles	823	825	–	–
Post retirement medical aid provision – non cash	20 686	24 543	20 686	24 543
Investment income	–	(10 368)	(115 919)	(69 477)
Finance costs	157 275	146 233	89 318	105 363
Operating profit before working capital	1 164 931	934 359	442 055	354 006
Working capital changes	3 079	12 835	54 607	15 148
Increase in inventories	(38 351)	(45 315)	(27 634)	(27 115)
Increase in trade and other receivables	(76 387)	(36 768)	22 493	4 128
Decrease in group company loans	7 055	5 580	7 114	5 580
Increase in trade and other payables	110 762	89 338	52 634	32 555
Cash generated from operations	1 168 010	947 194	496 662	369 154
35. Normal and secondary taxation paid				
Taxation liability at beginning of year	(99 797)	(104 391)	(42 850)	(23 417)
Acquisition of subsidiaries	(8 753)	(512)	–	–
Current taxation provided	(254 035)	(187 520)	(72 838)	(49 580)
Taxation liability at end of year	145 490	99 797	65 517	42 850
	(217 095)	(192 626)	(50 171)	(30 147)

36. (Acquisition)/disposal of subsidiaries

Acquisitions

Effective 1 October 2001, the Afrox Healthcare group increased its investment to 96.2% of the issued share capital of Wilgers Hospital Ltd for an amount of R74 655 000.

Queenstown Hospital was acquired in October 2001 for an amount of R6 177 000.

On 1 October 2001 African Oxygen Ltd acquired an effective interest of 70% in Heat Gas (Pty)Ltd.

Cosmos Hospital Partnership was acquired on 1 October 2001 for an amount of R5 134 000.

On 1 January 2002, the Afrox Healthcare group increased its investment to 100% of the share capital of Amalgamated Hospitals Ltd (Amahosp) and the consideration paid was R142 785 000.

St Mark's Clinic was acquired effective 1 June 2002 for an amount of R4 434 000.

The Afrox Healthcare group acquired the majority shareholding in Hospitaalpark Ontwikkelaars (Pty) Ltd in the previous year.
It also increased its holding in certain subsidiary companies.

Disposals

During the year African Oxygen Ltd sold 12% of its shareholding in Afrox Healthcare Ltd to Real Africa Holdings Ltd.

During the previous financial year, African Oxygen Ltd sold its interest in Lifecare Group Holdings Ltd to its subsidiary Afrox Healthcare Ltd.

The fair value of assets acquired/disposed of and liabilities assumed were as follows:

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
Cash	(4 825)	(457)	–	–
Inventories	(15 645)	(1 170)	–	–
Trade receivables	(88 436)	(7 163)	–	–
Property, plant and equipment	(354 498)	(16 432)	–	–
Shares in associated companies/subsidiary	63 929	(1 149)	111 097	64 897
Minorities	106 003	–	–	–
Intangibles	–	(450)	–	–
Goodwill on acquisition	(96 806)	(15 034)	–	–
Interest bearing borrowings	207 388	5 844	–	–
Trade payables	52 555	2 677	–	–
Taxation	8 753	512	–	–
Deferred tax	201	–	–	–
Total (purchase)/sales price	(121 381)	(32 822)	111 097	64 897
Less: cash	4 825	457	–	–
Cash flow on (acquisition)/disposal net of cash acquired	(116 556)	(32 365)	111 097	64 897

37. Contingencies

Afrox Healthcare Ltd stands as guarantor in respect of certain operating leases and instalment sale agreements concluded by subsidiaries.

African Oxygen Ltd has issued share appreciation rights to some of its employees based on the basis of their relative performance and long service.
There are certain conditions and time periods attached to these rights. The contingent liability for the non-vested portion of these share appreciation rights, based on a share price of R13,10 amounts to R13 828 011. The vested portion has been fully provided for.

Certain matters relating to a subsidiary within the group which arose before that company became a subsidiary, continue to be investigated. Your board, on the basis of the facts currently before it, and due to the continuing investigation, is not able to arrive at any conclusion as to whether or not there will be a liablity for the subsidiary.

Subsidiaries

as at 30 September 2002

Name of company	Nature of business+	Issued share capital 2002 R	Effective holding 2002 %	Effective holding 2001 %	Book value of company's interest Shares 2002 R'000	Book value of company's interest Shares 2001 R'000	Book value of company's interest Indebtedness 2002 R'000	Book value of company's interest Indebtedness 2001 R'000
Subsidiaries incorporated in South Africa								
Listed								
Afrox Healthcare Ltd	H	34 815 115	70	82	515 910	601 325	(52 447)	(130 120)
Unlisted								
Afrox Ltd	G	100	100	100	–	–	(676)	(676)
Afrox Educational Services (Pty) Ltd	T	200	100	100	13	13	(720)	(965)
Afrox Finance Ltd	F	60 000	100	100	60	60	(87 716)	(76 301)
Afrox Properties (Pty) Ltd	P	4 000	100	100	4	4	(89 339)	(85 249)
Dowson and Dobson Ltd	E	1 000 000	100	100	–	–	39 154	42 613
Industrial Research and Development (Pty) Ltd	E	6 000	100	100	6	6	2 589	4 088
Isas trust	G	–	100	100	65 000	65 000	(52 685)	(32 239)
Subsidiary incorporated in Botswana								
Botswana Oxygen (Pty) Ltd	G	P200	100	100	–	–	(10 889)	(7 323)
Subsidiary incorporated in Lesotho								
Afrox Lesotho (Pty) Ltd	G	M2	100	100	–	–	(3 164)	886
Subsidiary incorporated in Malawi								
BOC Malawi Ltd	G	K4,4m	76	76	407	407	(10)	–
Subsidiary incorporated in Mauritius								
Afrox International Ltd	G	US$50 000	100	100	350	350	2 673	3 151
Subsidiary incorporated in Mozambique								
BOC Gases Moçambique Limitada	G	MZM1100121	100	100	1 210	1 210	2 522	4 953
Subsidiary incorporated in Namibia								
IGL (Pty) Ltd	G	N$2	100	100	137	137	(5 609)	(2 523)
Subsidiary incorporated in Swaziland								
Swazi Oxygen (Pty) Ltd	G	E8	100	100	–	–	(11 317)	(7 725)
Subsidiary incorporated in Zambia								
BOC Gases Zambia plc	G	K86,5m	70	70	4 506	4 506	16 780	13 715
Subtotal					587 603	673 018	(250 854)	(273 715)
Non-trading and other companies					21 995	21 995	13 739	9 741
Total					609 598	695 013	(237 115)	(263 974)

+ Nature of business:
E – Engineering merchants, contractors and manufacturers;
F – Finance;
G – Gas and welding equipment;
H – Hospitals, nursing homes and allied services;
P – Property holdings;
T – Training and educational services.

Associated companies and investments

as at 30 September 2002

Name of company	Nature of business+	Issued share capital 2002 R	Effective holding 2002 %	Effective holding 2001 %	Book value of company's interest Shares 2002 R'000	Book value of company's interest Shares 2001 R'000	Book value of company's interest Indebtedness 2002 R'000	Book value of company's interest Indebtedness 2001 R'000
COMPANY								
Unlisted trade investments								
Cylinder Leasing (Pty)Ltd	G	400°	100	100	5 000	5 000	–	–
Lasey Ltd	G	1 200 000	35	35	984	984	–	–
Les Gaz Industriels Ltd	G	RS 13,1m	38	38	1 281	1 281	–	–
MOCOH Gas Madagascar SARL	G	–	–	–	–	804	–	1 913
Other investments	G	–	–	–	8 126	3 100	–	–
Total unlisted investments					15 391	11 169	–	1 913
GROUP								
Unlisted trade investments								
Refer to company note above		–	–	–	15 391	11 169	–	1 913
Fedgas (Namibia)	G	–	–	–	–	6 300	–	–
Flodoc Ltd	H	4 965	15	15	–	–	–	–
Heat Gas (Pty) (Ltd)	G	–	–	–	–	4 063	–	–
Namgas	G	–	25	25	200	200	–	–
Other investments	H	–	–	–	1 122	2 170	–	–
Total unlisted trade investments					16 713	23 902	–	1 913
Unlisted associated companies								
Bloemfontein Ophtalmology Trust	H	–	35	41	–	–	279	280
Eximer Associates Partnership	H	–	34	40	–	–	560	145
Hiway Medical Centre Ltd `^	H	2 207	–	27	–	1 436	–	193
Hiway Medical Holdings Ltd `^	H	1 640	–	33	–	14 860	–	3 301
Joint Medical Holdings Ltd *	H	5 471	17	21	1 398	1 398	13 599	15 308
Little Company of Mary Hospital Trust	H	–	17	21	4 891	4 891	1 788	4 130
Mafeking Hospital (Pty) Ltd	H	8 705	29	34	4	4	855	936
Middelburg Hospitaal Bpk	H	100 000	31	37	208	208	11 419	10 452
Middelburg Privaat Hospitaal (Edms)Bpk	H	100 000	31	37	529	529	–	3 045
Mid–Medic Holdings Ltd *	H	9 076	17	21	9 098	9 098	54	54
Mobisurg (Pty) Ltd *	H	100	35	41	–	–	426	524
Oculli Trust	H	–	35	41	–	–	140	532
Phodiso Healthcare Services (Pty)Ltd	H	1 000	23	27	1 250	1 250	1 922	217
Sandton Eye Laser Centre Partnership	H	–	17	21	–	–	–	325
Vergelegen Eye Laser Partnership *	H	–	21	25	–	–	171	51
Vrystaat Onkologie Trust	H	–	15	18	–	–	1 320	495
Wilgeheuwel Hospital (Pty)Ltd	H	200	20	24	350	350	2 434	–
Wilgers Hospitaal Bpk ^	H	–	–	35	–	15 804	–	14 328
					17 728	49 828	34 967	54 316

All the associates provide medical and surgical services through private hospitals and / or sameday surgical centres.
* Associates with February financial year ends
` Associates with June financial year–ends
^ Investment has been increased to subsidiary level
/ Dormant companies
° Redeemable preference shares

Notice to shareholders

for the year ended 30 September 2002

Notice is hereby given that the 75th annual general meeting of African Oxygen Limited will be held on Monday 10 February 2003 at 14h00 in the boardroom at Afrox House, 23 Webber Street, Selby, Johannesburg, for the following purposes:

1. To receive and adopt the annual financial statements for the year ended 30 September 2002;

2. To confirm the directors' remuneration for the year ended 30 September 2002.

3. To re-elect the following directors of the company: Messrs. R Médori, L MacNair, R Cottrell and Dr. C Strauss who retire by rotation in terms of the company's articles of association. All retiring directors are eligible and offer themselves for re-election:

3.1 Mr R Médori,
3.2 Mr L MacNair
3.3 Mr R Cottrell
3.4 Dr C Strauss

An abbreviated curriculum vitae in respect of each director offering himself for re-election is contained on pages 2 and 3 of the annual report of which this notice forms part.

As special business, to consider and, if deemed fit, pass with or without modification, the following resolutions, those numbered 4 and 5 as Ordinary Resolutions and number 6, 7, 8 and 9 as Special Resolutions:

4. "RESOLVED THAT the entire authorised, but unissued share capital of the company from time to time, be and is hereby placed under the control of the directors of the company until the next annual general meeting, as a general authority in terms of section 221 and 222 of the Companies Act 61, 1973 ('the Act'), as amended, subject to the provisions of the Act and the Listings Requirements of the JSE Securities Exchange South Africa ('JSE'), for allotment and issue to such persons as the directors in their discretion deem fit."

5. "RESOLVED THAT, pursuant to the articles of association of the company and subject to the Act, and the Listings Requirements of the JSE, the directors of the company be and are hereby authorised, by way of a general authority to allot and issue ordinary shares for cash, on the following basis:

- this authority shall not extend beyond the later of the date of the next annual general meeting of the company or the date of the expiry of 15 months from the date of the annual general meeting;
- a press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, five percent or more of the number of shares in issue prior to the issue;
- issues in the aggregate in any one financial year may not exceed 15 percent of the number of the shares in the company's issued share capital;
- the maximum discount at which ordinary shares may be issued is 10 percent of the weighted average traded price of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company; and
- any such issue will only be made to "public shareholders" as defined by the Listings Requirements of the JSE, and not to related parties."

In terms of the Listings Requirements of the JSE, a 75 percent majority is required of votes cast by shareholders present or represented by proxy at the annual general meeting at which this ordinary resolution is to be considered.

6. "RESOLVED THAT, subject to the provisions of the Act and the Listings Requirements of the JSE, the company and/or any of its subsidiary companies, be and hereby authorised, by way of a general authority, to acquire ordinary shares in its issued share capital, and/or acquire shares in its holding company, subject to the following limitations:

- any such acquisition of ordinary shares shall be implemented on the open market on the JSE;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- acquisitions of ordinary shares, shall not, in the aggregate in any one financial year exceed 40 percent of the company's issued share capital, provided that any general repurchase may not exceed 20 percent of the company's issued capital in any one financial year; and
- the repurchases are not made at a price greater than 10 percent above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction was agreed."

The reason for this special resolution is to authorise the company, and/or any of its subsidiary companies, by way of general approval, to acquire its own issued shares, and/or shares in its holding company, on terms and conditions and in amounts to be determined from time to time by the directors of the company, subject to certain statutory provisions and the Listings Requirements of the JSE.

7. "RESOLVED THAT the articles of association of the company be and are hereby amended by the insertion of the following new article 172 after the existing article 171:

COMMUNICATION BY ELECTRONIC MEDIUM

172.1 Notwithstanding anything to the contrary contained in these presents, but subject to the Statutes and the Listings Requirements of the JSE:

172.1.1 the company may send (which, for the purposes of this Article 172, includes serving, giving, delivering and the like) shareholder information to members by electronic medium provided that –

172.1.1.1 sending by electronic medium may only be effected to members who have consented in writing, in such form as has been approved by the JSE, to the sending of such shareholder information by electronic medium and such consent has not been withdrawn; and

172.1.1.2 the directors have approved the method by which and the electronic medium through which such sending of shareholder information is to be effected;

172.1.2 if the directors so authorise, members may deposit forms of proxy with the company by electronic medium provided that the directors have approved the method by which and the electronic medium through which forms of proxy may be so deposited.

172.2 For the purposes of this Article 172:

172.2.1 "electronic medium" means a method of electronic communication which includes, but is not limited to, facsimile, electronic data message (including, but not limited to, email), bulletin board, internet website, CD ROM and computer network;

172.2.2 "shareholder information" includes, but is not limited to, notices (including, but not limited to, notices of general meetings and annual general meetings of the company, dividend notices and interest notices), forms of proxy, circulars to shareholders (including, but not limited to, circulars required in terms of the Listings Requirements of the JSE), listings particulars, annual financial statements, group annual financial statements, group reports, annual reports and interim reports, and any other document which is determined by the directors to be shareholder information;

172.2.3 shareholder information sent by electronic medium to members shall be deemed to have been received on the day on which such shareholder information was sent by the company;

172.2.4 a form of proxy sent by electronic medium shall be deemed to constitute an instrument of proxy for the purposes of these presents and shall be deemed to comply with such provisions of these presents as may require signature of instruments of proxy;

172.2.5 the definition of "Writing" in Article 2(p) shall include shareholder information produced or communicated by electronic medium;

172.2.6 the definition of "Sign" and "Signature" in Article 2(s) shall include shareholder information produced or communicated by electronic medium;

172.2.7 the reference to "post" in Article 69 and Article 149 shall include the sending of the notice by electronic medium;

172.2.8 the reference to "under the hand of the person granting such proxy" in Article 85 shall include the sending of forms of proxy by electronic medium;

172.2.9 the reference to depositing of instruments appointing a proxy in Article 86 shall include the depositing of forms of proxy by electronic medium;

172.2.10 for the purposes of Article 149, the provisions of this Article 172 shall also apply in respect of debenture holders of the company;

172.2.11 Article 156, Article 157 and Article 161 shall not apply to shareholder information sent by electronic medium. For the purposes of this Article 172, shareholder information sent by electronic medium shall be sent to each member at the address notified in writing by the member to the company for this purpose;

172.2.12 the references to "given" and "sent by post" in Article 160 and Article 163 shall include the sending of shareholder information by electronic medium."

8."RESOLVED THAT the company's articles of association be and are hereby amended by deleting the word "autographic" wherever it appears in Article 13; deleting the entire Article 13(i) and renumbering the existing Article 13(ii) as Article 13(i); and deleting the word "printed" in Article 149."

9."RESOLVED THAT the company's articles of association be amended by changing each reference to "Johannesburg Stock Exchange" to "the JSE Securities Exchange South Africa"."

10. That any one director or the secretary of the company be and they are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered.

11. To re-appoint PricewaterhouseCoopers Inc. as independent auditors of the company and to authorise the directors to determine the remuneration of the auditors for the past years audit as reflected in note 27 of the financial statements.

12. To transact such other business as may be transacted at an annual general meeting.

Any member entitled to attend and vote at the meeting may appoint a proxy to attend, speak, and on a poll, vote in his/her stead. A proxy need not be a member of the company. The proxy form must be lodged with the company's transfer secretaries at least forty-eight hours before the start of the meeting.

By order of the board

IM Matthee
Company secretary
Johannesburg, 2 December 2002

Shareholders' diary and administration

for the year ended 30 September 2002

SALIENT DATES

Financial year end	30 September
Annual general meeting	10 February 2003

REPORTS

	PUBLISHED
Final announcement of 2002 audited annual results	31 October 2002
Annual financial statements of 2002	2 December 2002
Interim for half year to March 2003	30 April 2003

DIVIDENDS

	DECLARED	PAID
Final 2002	October 2002	January 2003
Interim 2003	April 2003	July 2003

ADMINISTRATION

African Oxygen Limited
Reg No. 1927/000089/06
ISINZAE0000030920

REGISTERED OFFICE & BUSINESS ADDRESS

Afrox House, 23 Webber Street, Selby, Johannesburg, 2001
Tel +27 (0) 11 490-0400 Fax +27 (0) 11 493-1580

POSTAL ADDRESS

P O Box 5404, Johannesburg, 2000

AUDITORS

PricewaterhouseCoopers Inc.

COMPANY SECRETARY

I M Matthee CA (SA) MBL FCIS

TRANSFER SECRETARIES

Computershare Investor Services Limited
70 Marshall Street
Johannesburg, 2001
P O Box 1053, Johannesburg, 2000
Telephone +27 (0) 11 370-5000 Telefax +27 (0) 11 370-5271/2

SPONSORS

South Africa
HSBC Investment Services (Africa) (Pty) Ltd
Sponsoring broker in Namibia
HSBC Securities (Namibia) (Pty) Ltd

STAKEHOLDER ENQUIRIES

Stakeholder enquiries may be addressed per email to:
rick.hogben@afrox.boc.com

web site: www.afrox.com

FORM OF PROXY
AFRICAN OXYGEN LIMITED

(Registration No. 1927/000089/06)
(Incorporated in the Republic of South Africa)
('the company')

I/We _____

of _____

being a member of the company hereby appoint:

1. _____ of _____ or, failing him/her,
2. _____ of _____ or, failing him/her,
3. _____ of _____ or, failing him/her,

the chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on Monday 10 February 2002 at 14h00 and at any adjournment thereof.

VOTING INSTRUCTIONS	In favour of	Against	Abstain
1. Resolution to adopt the annual financial statements for the year ended 30 September 2002.			
2. Resolution to confirm the directors' remuneration for the year ended 30 September 2002.			
3. Resolution to re-elect the retiring directors namely: Messrs L MacNair			
R Cottrell			
R Médori			
C Strauss			
4. Resolution to authorise the directors of the company under general authority to issue any/or all of the authorised but unissued shares in the capital of the company for cash as they in their discretion deem fit.			
5. Resolution to place the unissued share capital under the control of the directors.			
6. Special resolution to grant a general authority to the company to repurchase its own shares and to purchase shares in the company's holding company.			
7. Special resolution to amend the articles of association by insertion of new article 172 dealing with communication by electonic medium.			
8. Special resolution to amend the articles of association by deleting the word "autographic", deleting Articles13 (i), deleting the word "printed" in Article 149			
9. Special resolution to amend the articles of association by changing each reference to "Johannesburg Stock Exchange" to "the JSE Securities Exchange South Africa"			
10. Resolution to authorise any one director or the secretary to sign all documents and take all such actions to implement the resolutions set out in the notice.			
11. Resolution to re-appoint PricewaterhouseCoopers Inc. and to authorise the directors to determine the remuneration of the auditors for the past year's audit.			

(Indicate instruction to proxy by way of a cross in space provided.)
Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed _____ day of _____ 2002/2003

Signature _____

Notes
1. Explanatory notes on the above resolutions are contained on the reverse side of this page.
2. A member entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend , speak and vote in his/her stead. A proxy need not also be a member of the company.
3. If this proxy is signed under power of attorney, such power of attorney, unless previously registered by the company, must accompany it.
4. When there are joint registered holders of any shares, any one of such persons my vote at any meeting in respect of such shares as if he/she were solely entitled thereto, but, if more than one such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrator of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
5. This form of proxy must be completed and delivered to the transfer secretaries, Computershare Services Limited, 9th Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 1053, Johannesburg, 2000) not less than 24 hours before the time of the meeting.

Notes:

1. Certificated shareholders
Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name. Should this not be the case and the shares are registered in another name, or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak, and on a poll, vote in his/her stead. A proxy need not to be a member of the company.

For the convenience of registered members of the company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

2. Uncertificated shareholders
Beneficial owners of dematerialized shares who wish to attend the annual general meeting have to request their Central Securities Depository Participant (CSDP) or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. Proxies
Any member entitled to attend and vote at the meeting may appoint a proxy to attend, speak, and on a poll, vote in his/her stead. A proxy need not be a member of the company. The proxy form must be lodged with the company's transfer secretaries at least forty-eighth hours before the start of the meeting.

A proxy form is available in this document. Explanatory notes pertaining to the above resolution is contained on the reverse side of the proxy form.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below, by no later than 17h00 on 6 February 2002.

1. Explanatory notes to resolutions of the annual general meeting

Resolution 1
At the annual general meeting, the directors must present the annual financial statements for the year ended 30 September 2002 to shareholders, together with the reports of the directors and the auditors. These are contained within the annual report.

Resolution 2
The directors request that shareholders approve the remuneration policy as set out in the remuneration report on pages 53 of the annual report.

Resolution 3
In accordance with the company's articles of association, one third of the directors are required to retire at each annual general meeting and my offer themselves for re-election. In addition, any person appointed to fill a casual vacancy on the board of directors, or as an addition thereto, is similarly required to retire and is eligible for re-election at the next annual general meeting. Biographical details of each of the directors, are set out on page 2.

Resolution 4 and 5
In terms of sections 221 and 222 of the Act, the shareholders have to approve the placement of the unissued shares under the control of the directors. A general authority to issue shares for cash has also been granted to the directors. The authorities will be subject to the Act and the Listings Requirements of the JSE.

Resolution 6
The company's articles of association contain a provision allowing the company to purchase shares issued by itself, in its holding company or for any subsidiary of the company. This is subject to the approval of shareholders, the Act and the Listings Requirements of the JSE. The existing general authority, granted by the shareholders at the last annual general meeting on 10 Febuary 2003, is due to expire unless renewed.

The reason for and effect of this Special resolution is to grant a renewable general authority to the company to repurchase shares of the company which are in issue from time to time, to permit the purchase of shares in the company by a subsidiary of the company (if any) and to permit the company to purchase shares in the company's holding company (if any).

It is the intention of the directors of the company that they may use such authority should prevailing circumstances (including the tax dispensation and market conditions) in their opinion warrant it.

The directors are of the opinion, after considering the effect of such acquisition of shares, if implemented and on the assumption that the maximum of 20% of the current issued shares will be repurchased using the mechanism of the general authority at a maximum price at which the repurchase may take place (a 10% premium above the weighted average of the market value for the shares for the five trading days immediately preceding the date on which such price was agreed) and having regard to the current price of the shares on the JSE at the last practical date prior to the date of this notice and that for the twelve-month period after the date of the notice of annual general meeting of which this explanatory note forms part:

- the company and its subsidiaries ("the group") will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the group, fairly valued in accordance with accounting policies applied for purposes of the latest audited annual group financial statements, will be in excess of its consolidated liabilities;
- the group will have adequate ordinary share capital and reserves; and
- the group will have adequate working capital.

Resolution 7, 8 and 9
The reason for special resolutions number 7 and 8 is to amend the company's articles of association to permit the sending of notices, company information (including annual financial statements, group annual financial statements and group reports) and forms of proxy to members electronically and to allow members to deposit forms of proxy electronically; and, for this purpose, to make consequential amendments to the other provisions of the articles of association which deal with writing, depositing, posting and the like in relation to the sending of shareholder information and the depositing of forms of proxy. The effect of special resolutions number 8 and 9 will be to allow the company to send notices, company information and forms of proxy electronically and to allow members to deposit forms of proxy electronically.

The reason for special resolution number 9 is to amend the company's articles of association to reflect the new name of the JSE Securities Exchange South Africa.

Resolution 11
PricewaterhouseCoopers Inc. has indicated its willingness to continue in office and the resolution proposes the re-appointment of the company's existing independent auditors until the next annual general meeting. The resolution also gives authority to the directors to fix the auditors' remuneration.

STRATE

STRATE, the electronic settlement system for securities on the JSE Securities Exchange South Africa ("JSE"), requires that certificates are converted into an electronic format (dematerialisation) before they can be traded on the JSE and settled in STRATE. Many shareholders are still unaware of the importance of converting their certificates into an electronic record.

On 29 September 2002, the insurance cover provided by Lloyds of London to the Dispossessed Member's Fund (DMF) terminated. The DMF, which was established by all listed South African companies and shareholders, the JSE/brokers, the CSDPs and STRATE, was put in place to cover loss or claims arising from any tainted certificates that may have existed in the market place. Those shareholders who have not dematerialised their certificates are at risk that their certificates are invalid or tainted.

Shareholders who have not yet dematerialised their holdings are urged to surrender their certificates to a selected CSDP, bank or broker without delay.

Should you not have a CSDP or broker, please contact the STRATE Share Care Line on 0800 200 797 or alternatively contact Computershare Investor Services on 086 110 0933 for advice and assistance.

CHARITY SHARES

Shareholders who find the cost of selling their shares exceeds the market value of their shares may wish to consider donating them to charity. An independent non-profit organisation called STRATE Charity Shares has been established to administer this process. SARS has advised that the value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act. For further details, queries and/or donations contact the STRATE Share Care toll free help line on 0800 202 363 or +27 11 775 3449 if you are phoning from outside South Africa or email charityshares@gscom.co.za.